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# NAVAL POSTGRADUATE SCHOOL

## Monterey, California



# THESIS

**DETERMINING INSURRECTIONARY INCLINATIONS  
AMONG INDIGENOUS PEOPLES OF ECUADOR**  
by

Miguel Cortez Iniguez

December 2001

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I have argued that Ecuador has historically excluded the indigenous peoples economically to the point where they experience the highest levels of poverty in the country. The indigenous people have been tied to their land and current economic policies are endangering their communal property rights and their way of life. Also contributing to that inequality is the political exclusion they experience. Without effective representation, social programs have been cancelled at will and economic policies and reforms are implemented without debate with those they most affect.

With this last wave of democratization, the indigenous people of Ecuador are now highly organized. They have changed their image from one of subservience to the traditional political and economic elites to one of activists demanding the government uphold its constitutional mandate while increasing the indigenous peoples own rights to self-determination. The combination of these three factors creates potential for further violence. The governments pursuit of oil-led development and its damaging effects on the economy and environment will clash with the indigenous peoples desire to maintain their culture and way of life. The violence stemming from the insurgency and large flows of illegal money in neighboring countries only increases the likelihood of Indian political violence in Ecuador.

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**DETERMINING INSURRECTIONARY INCLINATIONS AMONG  
INDIGENOUS PEOPLES OF ECUADOR**

Miguel C. Iniguez  
Lieutenant, United States Navy  
M.A., Naval Postgraduate School, 2001

Submitted in partial fulfillment of the  
requirements for the degree of

**MASTER OF ARTS IN NATIONAL SECURITY AFFAIRS**

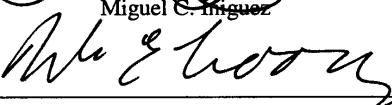
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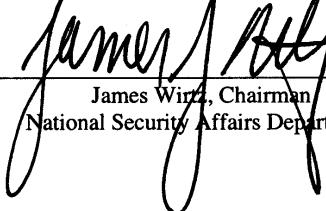
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James Wirtz, Chairman  
National Security Affairs Department

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## ABSTRACT

I have argued that Ecuador has historically excluded the indigenous peoples economically to the point where they experience the highest levels of poverty in the country. The indigenous people have been tied to their land and current economic policies are endangering their communal property rights and their way of life. Also contributing to that inequality is the political exclusion they experience. Without effective representation, social programs have been cancelled at will and economic policies and reforms are implemented without debate with those they most affect.

With this last wave of democratization, the indigenous people of Ecuador are now highly organized. They have changed their image from one of subservience to the traditional political and economic elites to one of activists demanding the government uphold its constitutional mandate while increasing the indigenous peoples own rights to self-determination. The combination of these three factors creates potential for further violence. The governments pursuit of oil-led development and its damaging effects on the economy and environment will clash with the indigenous peoples desire to maintain their culture and way of life. The violence stemming from the insurgency and large flows of illegal money in neighboring countries only increases the likelihood of Indian political violence in Ecuador.

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## EXECUTIVE SUMMARY

Although not as well known as the other, larger countries in South America, Ecuador has in recent years been overcome with large, nation-wide protests and a momentary coup, without a change in its democratic form of government. This country is a microcosm of the many problems inherent within Latin America. Only 40 percent of Ecuadorian citizens stated that they prefer democracy to any other kind of government. This is down from a high of 57 percent in 1998. Dissatisfaction is also on the rise with approximately 65 percent responding "not very satisfied" plus "not at all satisfied" in 1996 jumping around 10 percentage points to the order of 75 percent in 2001. Perhaps most importantly is the economy that has potential, but continuing debt problems and 20 years of stabilization and adjustment polices has produced a per capita income of \$1,200, one the lowest in the Americas. 1998-99 GDP per capita averaged a real growth of negative 9 percent. For 1999 to 2000 that figure is 0.4 percent. As Ecuador's leading trading partner, the current U.S. economic slow down will cause a drop off in exports. Coupled with continuing difficulties in Argentina, this economic downturn will cause increased hardship for Ecuador's indigenous people.

Severe poverty and discrimination of the indigenous people are urgent problems that have the potential to generate political violence. The leadership of Ecuador's indigenous movements could, at some point, resort to violent words of incitement. In using the work of Paul Wilkinson on terrorism, "leaders of avowedly non-violent movements have found it difficult to contain and control the effects of emotive propaganda," and further research shows "others freely resort to such means to incite and intensify hatred and to encourage physical violence." Since the transition from military rule, non-violent modes of political argument, ranging from political dissent and disagreement, informal and formalized opposition, to electoral competition, lobbying, protest and demonstration, conscientious objection and civil disobedience, have all been used by Ecuador's indigenous peoples. They have attempted to and continue to work with the system at hand, electing a few representatives to congress. However, this has produced few benefits for them.

I have argued that Ecuador has historically excluded the indigenous peoples economically to the point where they exist at the lowest levels of poverty in the country. Historically the indigenous people have been tied to their land and current economic policies are endangering their communal property rights and their way of life. Also contributing to that inequality is the political exclusion they experience. Without effective representation, social programs may be cancelled at will and economic policies and reforms are implemented without debate with those they most affect. With this last wave of democratization, the indigenous people are now highly organized. They have changed their image from one of subservience to activists demanding the government uphold its constitutional mandate while increasing the indigenous peoples own rights to self-determination. The combination of these three factors creates potential for further violence. The governments pursuit of oil and its damaging effects on the economy and environment will clash with the indigenous peoples desire to maintain their culture and way of life. The violence stemming from the insurgency and large flows of illegal money in neighboring countries only increases the likelihood of Indian political violence in Ecuador.

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## I. INTRODUCTION

### A. DESCRIPTION

Throughout Latin America government policies have been failing to create very much support for democratic governments that have come to power. A Chilean organization, Latinobarometro has been conducting a regional opinion poll for the past six years. This survey is one means of determining at a glance the level of support democracy has among the countries of Latin America. The poll taken by Latinobarometro in 2001 reflects that there may be a crisis of democracy as citizens become disillusioned, leading to a fall in support for democracy throughout this region. The reasons cited are few, but key in the eyes of the populace are such items as dissatisfaction "with the way democracy is operating in practice" and the rapid rise in crime and drug addiction.<sup>1</sup> Even distrust of fellow citizens has risen along with the impression that corruption has gone from appalling to shocking. It seems that democracy has not proven itself as confidence in the armed forces among the Latin Americans polled is greater than that of the institution of president, or the national congress, or political parties.<sup>2</sup>

Closely tied to the falling support for democracy is the problem of weak economies throughout Latin America. Many people of the region associate the economy with the regime in power.<sup>3</sup> For many years the majority of enterprises were state owned throughout the region. Import substitution industrialization policies demanded protection and direction from the state. Military regimes had taken power on the pretense of protecting the economy. As this idea is pervasive it can easily erode democracy's legitimacy as economic conditions worsen.<sup>4</sup> The connection is obvious when many countries adopt economic reform emphasizing the privatization of national industries,

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<sup>1</sup> The Economist. "An alarm call for Latin America's democrats" July 28th-August 3rd, 2001. Vol. 360 Number 8232. 37.

<sup>2</sup> Ibid, 38.

<sup>3</sup> Diamond, Larry, et al., Democracy in Developing Countries Latin America. 2nd ed. Lynne Rienner Publishers, Inc., Boulder. 1999. 46.

<sup>4</sup> Ibid.

lessening or abolishment of market restrictions, and industrial technological advancement focusing on the those products that are exportable. In the region as a whole the renewed economic weakness has led to a "modest rise in the numbers of those who favor dictatorship."<sup>5</sup> Many Latin countries faced down turns in 1995, 1998-99 and now in 2001 continue too perform with disappointing results. The economic slump in the United States is sure to have grave implications for many of the economies throughout the Americas.<sup>6</sup> Ties to the U.S. have grown in the past twenty years thanks in part to globalization. Adding to the misery, the largest trading bloc of South America, MERCOSUR can be termed a "phony customs union" as "almost none of the "deepening" associated with a customs union has happened" and "is steadily moving away from, not towards, common tariffs."<sup>7</sup> What was supposed to contribute to opening of economies and export-led growth is now creating stagnation.

Poor economies and badly implemented reforms have dramatic impacts on the poorer sectors.<sup>8</sup> However, indigenous peoples get a double dose of negative effects. Not only do they make up the largest portion of destitute in society, they are also the most politically excluded citizens of Latin America. In 1995 the Minorities at Risk Project identified 17 countries from the Western Hemisphere with 30 minority groups at risk. Put together this is a population of approximately 112,320,000.<sup>9</sup> Since the arrival of the Spanish conquistador, the indigenous peoples of Latin America have had to struggle to survive. In the 20th century nation building, consolidation and expanding state power has typically taken the path of subordinating the "interests and relative autonomy of ethnic groups to state elites' conception of national identity and interest."<sup>10</sup> Invariably this means that indigenous peoples are subordinated with their labor and resources

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<sup>5</sup> The Economist. "An alarm call for Latin America's democrats" July 28th-August 3rd, 2001. Vol. 360 Number 8232. 37.

<sup>6</sup> The Economist. "Breaking barriers in the Americas" April 21st-27th, 2001. Vol. 359 Number 8218. 14.

<sup>7</sup> The Economist. "Some realism for Mercosur" March 31st-April 6th, 2001. Vol. 358 Number 8215. 18.

<sup>8</sup> Haggard, Stephan and Robert R. Kaufman, The Political Economy of Democratic Transitions. Princeton University Press, Princeton. 1995. 318.

<sup>9</sup> Crocker, Chester A. et al. Sources of and Responses to International Conflict. United States Institute of Peace Press, Washington, DC. 1996. 55

<sup>10</sup> Ibid, 62.

extracted solely for the benefit of the state. Indigenous discontent has in the past led to physical violence in Uruguay, Nicaragua, and most recently in Mexico.

Although not as well known as the other, larger countries in South America, Ecuador has in recent years been overcome with large, nation-wide protests and a momentary coup, without a change in its democratic form of government. This country is a microcosm of the many problems inherent within Latin America. Only 40 percent of Ecuadorian citizens stated that they prefer democracy to any other kind of government. This is down from a high of 57 percent in 1998. Dissatisfaction is also on the rise with approximately 65 percent responding "not very satisfied" plus "not at all satisfied" in 1996 jumping around 10 percentage points to the order of 75 percent in 2001.<sup>11</sup> Perhaps most importantly is the economy that has potential, but continuing debt problems and 20 years of stabilization and adjustment polices has produced a per capita income of \$1,200, one the lowest in the Americas.<sup>12</sup> 1998-99 GDP per capita averaged a real growth of negative 9 percent. For 1999 to 2000 that figure is 0.4 percent.<sup>13</sup> As Ecuador's leading trading partner, the current U.S. economic slow down will cause a drop off in exports. Coupled with continuing difficulties in Argentina and its impact throughout South America, Ecuador's third largest trading area overall, will cause increased hardship on those people.

Of the total Ecuadorian population, 45 percent is of indigenous descent. In this population of around 5.4 million, most are said to live in conditions of extreme poverty.<sup>14</sup> Continuing difficulty with the institutions of Ecuador and their political and economic exclusion has created discontent among the indigenous. This discontent with democracy and the economy resulted in the January 21st 2000 coup. With the support of 10,000 protesters, predominately indigenous, united with the local military they set about to overthrow the government. They established a new regime, but were quickly forestalled

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<sup>11</sup> The Economist. "An alarm call for Latin America's democrats" July 28th-August 3rd, 2001. Vol. 360 Number 8232. 37.

<sup>12</sup> Sullivan, Mark P., "Ecuador: Political/Economic Conditions and US Relations" Foreign Affairs and National Defense Division, CRS Report for Congress. 1996

<sup>13</sup> World Bank. 2001 World Development Indicators database. <http://www.worldbank.org> Accessed 10/9/01.

<sup>14</sup> Chalmers, Douglas A. et al The New Politics of Inequality in Latin America. Oxford University Press. New York. 1997. 171.

by actions of the higher military leadership within the day. Negotiation resulted in the vice-president being elevated to the head of the elected government.<sup>15</sup> When faced with a situation that the indigenous felt was to their disadvantage, dollarization and adjustment policies, they were willing to step outside lawful boundaries and the democratic process to accomplish their goals.

Although Ecuadorians have espoused the ideals of liberal economics, recent administrations have had only limited success in carrying out structural reforms that could promote investment and economic growth. Some degree of progress has been made on budget reform, reduction of public employment levels, and elimination of some unnecessary and market distorting regulations. In most cases implementation has lagged behind legislation due to a high degree of dependence on the state. In April 2001, Leo Goldstein, economist at Salomon Smith Barney, reported that Ecuador needs IMF support to avoid defaulting on its sovereign debt within 18 months. A default could send ripple effects throughout Latin America. Structural reforms could also cause large sectors of the population to become disaffected due to austerity measures. The resulting fall in expectations may cause some to seek any means in order to maintain some standard of living.

Among severe poverty, under privilege and discrimination the indigenous people are contending with the most desperately urgent problems. The leadership could, at some point, resort to violent words of incitement. In using the work of Paul Wilkinson on terrorism, "leaders of avowedly non-violent movements have found it difficult to contain and control the effects of emotive propaganda," and further research shows "others freely resort to such means to incite and intensify hatred and to encourage physical violence."<sup>16</sup> Since the transition from military rule, non-violent modes of political argument: ranging from political dissent and disagreement, informal and formalized opposition, to electoral competition, lobbying, protest and demonstration, conscientious objection and civil disobedience have all been, and are in continual use by the Ecuadorian people. They have attempted to and continue to work with the system at hand, electing a few

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<sup>15</sup> Workers World. "U.S. engineers coup against people's gov't" February 3, 2000. <http://www.workers.org/ww/2000/ecuador0203.html>. Accessed 6/1/01.

<sup>16</sup> Wilkinson, Paul. Terrorism and the Liberal State. 2ed. New York Press, New York. 1986. 23.

representatives to congress. The true accomplishment of democracy is the willingness of the entire societal array to consent to the final decisions of the governing bodies as authoritative and obligatory for all. This structure fails when a vocal majority, or minority group in the society will not agree to, or abide by an unpopular law or policy selected by the regime.<sup>17</sup>

The indigenous organizations have accomplished much in recent years with the election to Parliament of 8 indigenous representatives, but as with all other areas they are a minority and experience difficulty in promoting their agenda.<sup>18</sup> Since the transition from military rule in 1979, the opportunity for political participation should have been higher as the constitution expanded the franchise to include many previously excluded indigenous voters. However, the state's inability to penetrate into the rural areas, and years of being marginalized at the hands of the government has made them suspicious and unwilling to participate. Their most effective means of political action has been mass demonstrations and strikes to force negotiate with the government, often accompanied by violence. The promise of trade liberalization and privatization has raised expectations among the population, which have not been met. Additionally, oil production has brought revenue to the state, yet little to nothing has been returned to the petroleum regions of rural indigenous people. In fact oil has damaged indigenous land and communities. This thesis will attempt to answer one simple question. What is the likelihood of the indigenous population to resort to violence against the Ecuadorian state? This question can be broken down into two parts: What incentives do indigenous groups have to take up arms? What ability do they have to sustain an armed struggle?

Given the political environment in Ecuador and the problems of an economy with "Dutch Disease," called such from the crisis natural gas produced in Holland,<sup>19</sup> the poverty stricken indigenous people may use the drug trade as a means of funding violent movements against the government. As resources are drawn away from agriculture, the traditional activity of the indigenous, they will find themselves financially unsustainable,

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<sup>17</sup> Ibid, 25

<sup>18</sup> Burke, Pam, "The Lowland (Amazonian) Indians of Ecuador." 1997.  
<http://www.bsos.umd.edu/cidcm/mar/lindcu.htm> Accessed 12/11/2001.

<sup>19</sup> Cardoso, Eliana, and Ann Helwege, Latin America's Economy Diversity, Trends, and Conflicts. The MIT Press, Cambridge. 1992. 33.

as subsistence farming will not support the large numbers of jobless. This economic problem has its base in the export boom of one product, like oil, and the subsequent balance-of-payments surplus. Although revenue is generated during the boom, the economy often suffers from rising inflation, declining exports of agriculture and manufactures, lower rates of income growth, and rising unemployment. These results are all detrimental to a developing economy.<sup>20</sup> An oil export boom stimulates a rapid increase in domestic inflation, which in turn causes the real exchange rate to appreciate. The implication is that other exports become less competitive and therefore less profitable because importing goods is cheaper. A producer of tradable goods, both exporters and import competitors, will face growing prices for their purchases of non-tradable goods and services, together with worker wages. The dilemma is that they compete with foreign producers so they cannot channel increased costs to the consumer. Both farmers and manufactures will experience a loss of profit and lead some to reduce production and employment. The boom in oil exports and the concurrent prosperity is partly counteracted by a deterioration of tradable industries raising discontent with the economy among the whole population.<sup>21</sup>

## B. IMPORTANCE

Foremost among the dangers with which the United States should be concerned with in Ecuador is the fall of a democratically elected government, thereby creating greater instability within the region. Democracy is the best means of ensuring all groups have some voice in government. This thesis will help us to understand the conditions under which a democratic government may suffer civil unrest or come under the threat of armed revolt. These conditions include the type of state or political regime and the actions they undertake that will make them be vulnerable as well as which types of indigenous are likely to make demands via the use of force. Since the end of the cold war, the U.S. has made the spread and maintenance of democracy one of its main policy concerns.

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<sup>20</sup> Gillis, Malcolm et al, Economics of Development, W.W. Norton & Company, Inc. New York, 3rd ed. 1992. 434.

<sup>21</sup> Ibid, 436.

Following on that issue is the large drug trade present within South America. For two decades the U.S. has attempted to cut the flow of cocaine that started in Bolivia and Peru, and spread into Colombia and could extend elsewhere. In Colombia drugs fund both the left-wing guerrillas and right-wing paramilitaries in perpetual violence.<sup>22</sup> As an ally in the drug war former president Jamil Mahuad signed a 10-year agreement, in 1999, to allow the U.S. a Forward Operating Location at an airfield in Manta. The ability to fly surveillance flights from this military field is a boost in the fight against drugs. Ecuador receives no rent from the use of this airfield and only \$8 million to deal with the refugees that will be generated from Plan Colombia.<sup>23</sup> The indigenous have already stated their opposition to the U.S. military presence, and a change in government favoring the indigenous majority could result in U.S. withdrawal from Ecuador.<sup>24</sup>

In the Ecuador-Peru border conflict there have been several hostile incidents, but in 1995 after fourteen years of planning, the Ecuadorian military was able to redeem itself in a successful campaign in the field against Peru, raising their stature among the Ecuadorian people. The level of planning and execution showed a remarkable amount of autonomy from civilian control. The role the military played instigating the conflict suggests that an internal war would lead to increased power or autonomy for the military, which already possesses a high level of legitimacy.<sup>25</sup> This would be, in itself, a great threat to a fragile democracy but additionally, the military has developed a good rapport with the indigenous from rural development programs. The military is now in a position to be an arbiter between the government and the indigenous organizations.

In the drive for a Free-Trade Area of the Americas (FTAA), a destabilized Ecuador would be one more barrier to liberalizing trade in the Americas. A free-trade area would eliminate tariff and non-tariff barriers among the member countries. With a

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<sup>22</sup> The Economist. "Breaking barriers in the Americas" April 21st-27th 2001, vol. 359, number 8218. 14.

<sup>23</sup> The Economist. "Collateral damage" February 3 rd-9th 2001, vol 358, number 8207. 40.

<sup>24</sup> Stratfor.com's Global Intelligence Update, "Ecuador: Seeking the Benefits of a Plan Colombia, 24 October 2000. <http://www.stratfor.com> Accessed 10/24/2000.

<sup>25</sup> Palmer, David Scott, "Peru-Ecuador border Conflict: Missed Opportunities, Misplaced Nationalism, and Multilateral Peacekeeping," Journal of Inter-American Studies & World Affairs. Vol 39, Number 3 Fall 1997. 114.

goal date of 2006, any set back could lead to a longer wait. The U.S. is Ecuador's largest export market, as well as one of the single largest import markets. A strain on the Ecuadorian government from civil unrest or outright rebellion might damage the political dialog established from the Summit of the Americas. Many leaders in Latin America are still suspicious of the U.S. as the sole superpower. Tensions based on this asymmetric relationship go to the beginnings of independence. The benefits from free trade are well known, despite the problems adjustment will cause, a free-trade area would be characterized by minimal cooperation and integration. Fears of a destabilizing Latin America will make the fight for FTAA more difficult to achieve with the U.S. Congress.

### **C. METHODOLOGY**

The topic of this thesis will be violent resistance against the government by the Ecuadorian indigenous people. Using a case study methodology I will use background knowledge to construct statements concerning the potential of the indigenous. In this manner it may be possible to determine one possible future for Ecuador. There have been many arguments as to under what conditions marginalized citizens will resort to political violence. Ecuador is the prototypical case of a weak regime that continues to survive. Other countries face the same problems of economic and political exclusion among its population, but what makes Ecuador interesting is now the added problem of an organized, indigenous population disgruntled with the status quo, and has demonstrated a willingness to force change. The research for this project will come from an assortment of secondary sources. Relevant books, academic periodicals, Internet resources, and conference papers will be used as research sources to gain a better understanding of past and current events within the country.

### **D. ORGANIZATION**

The introduction has provided information on recent events in Ecuador, and U.S. interests in both Ecuador and South American, as well as the desire for stability in the region. Many issues are briefly mentioned, however the intent of this short introduction will serve to show how one spark may at any time ignite political violence within the

country. Within chapter 2 an attempt is made to gage the growth and scope of the oil industry and the negative externalities associated with petroleum as the primary product of production, continuing the economic exclusion of the indigenous. Within chapter 3 the stagnant political picture will be discussed and why there is an inability to provide effective representation. Indigenous political exclusion has resulted from the division between the landed elite of the inland region and the power of the coastal region that creates a fractured party system. It will provide information on presidential powers and how most issues are dealt with by decree. Also included is the new constitution, which has purposely weakened the powers of the judiciary and congress with the president as the beneficiary. The final thoughts will be the political process and its inability to be an effective means of participation in the decision making process. Chapter 4 will then focus on the indigenous populations, which have risen in the past to cause the overthrow of a democratically elected president. I will argue that the combination of factors of a weak state, economic exclusion, and a mobilized population can eventually lead to political violence. It will look at the leadership and goals of the indigenous organizations stemming from their ideology. The status of the indigenous populations, and how they view themselves culturally as a nation is at odds with the concept of the nation-state. In ending this chapter it can be seen how in the past decade the indigenous people have been growing in strength as a force for change outside the accepted political process. In the conclusion a recap of the previous chapters will be made and the prospects for negotiation and change leading to growth, equitable development and the maintenance of peace will be covered. Recommendations to both the U.S. and Ecuadorian governments will be put forward. A stable Ecuadorian government can have positive effects on U.S. security interests. Ecuador, with greater legitimacy stemming from a deepening of democracy will be able to redress some of the inequities of the past.

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## II. ECUADORIAN ECONOMY

A structural argument would state that a capitalist driven economy would eventually be at odds with a democratic form of governance as the demands of the people outstrip the growth of the economy and the regimes ability to accommodate change. The likely answer is the regime's choices in determining reforms and policy actions are not in response to societal demands, thus creating crisis.<sup>26</sup> What this chapter will show is the government choices concerning development are shaping a situation where the desires of a few elite for growth will clash with the desires of the indigenous people. In the past the economy has left the indigenous groups out. Land shortages, colonization and government policies are creating economic and social pressures on these communities. The lack of competitive industrial capability and the single minded race for oil is repeating a cycle of boom and bust whereby they will not have the capability in the long run to accommodate the demands of indigenous peoples. The indigenous predominate in the Sierra and the Amazon, and their existence is marked by consistent economic exclusion.

### A. HISTORICAL CONTEXT

The Indian way of life is based on agricultural work. In the Sierra large landholding place a premium on cultivable land. An Indian may be found working for a large estate, own a small plot, or is a member of a collective.<sup>27</sup> Until the discovery of oil in the 1970's, Ecuador was just an agrarian economy and was reliant on the export of primary products. Indigenous could be cheaply employed in this sector and were easily exploited, as they were uneducated and lacked skills. Success of the economy was coupled to rising world prices for coastal goods, such as cacao and bananas. In 1972, oil expansion in the Amazon basin resulted in a decade of quick growth, averaging 9 percent annually. This boom resulted in spreading public services, increasing the number of state

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<sup>26</sup> Cohen, Youssef, Radicals Reformers and Reactionaries. University of Chicago Press, Chicago, 1994.

<sup>27</sup> Blanksten, George I. Ecuador: Constitutions and Caudillos. Russell & Russell Inc, New York. 1964. 17.

enterprises, improving infrastructure, and most importantly continuing the ISI strategy.<sup>28</sup> This strategy pulls resources away from the agricultural sector and puts it into industrial development. Inevitably the oil prices began to fall in the early 1980's, and Ecuador chose not to shrink unproductive state participation in the economy. As a result the 1980's were a decade of economic reversal as the burdens of debt, price increases, deficient adjustment measures, and unpredictable global oil prices made growth impossible and many indigenous social programs the first to be canceled.<sup>29</sup>

The state has been the primary actor in the economy, however some transfers occurred where many areas of it are now owned and operated by private concerns. Improving state efficiency means the indigenous are relegated to economic servitude as the only jobs available are in the informal economy. Despite this level of privatization, bureaucratic regulation, unproductive subsidies, and state ownership of "strategic" economic assets remains the preferred management style. In the 1990-95 period Ecuador completed 9 privatization transactions. This garnered \$96 million in revenue but accounted for only 0.13 percent of GDP.<sup>30</sup> The central government uses around 29.8 percent of GDP to sustain the public sector with the formal sector work force supplying approximately one fourth of labor requirements. As the 20th century came to a close, tentative actions had been taken toward minimizing the state's role as the main player and controller of the economy, while intensifying its capacity to successfully fund desired social services and execute economic regulations.<sup>31</sup>

Entering into the 1990's, Ecuador started to formulate market-oriented structural reforms, but the partial execution of these measures has proven unsuccessful at creating sustainable growth causing the program to be scraped despite a Standby Agreement with the IMF.<sup>32</sup> Excluded from the decision-making process and the worst to suffer from the

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<sup>28</sup> Frieden, Jeffry. et al Modern Political Economy and Latin America. Westview Press, Boulder. 2000. 155.

<sup>29</sup> U.S. Department of State. Trade Compliance Center, "Country Reports on Economic Policy and Trade Practices, Ecuador," 1999. <http://199.88.185.106/tcc/data/> accessed 04/30/2001.

<sup>30</sup> Inter-American Development Bank, Economic and Social Progress in Latin America, Johns Hopkins University Press, Washington, D.C., 1996. 171.

<sup>31</sup> U.S. Department of State. Trade Compliance Center, "Country Reports on Economic Policy and Trade Practices, Ecuador," 1999. <http://199.88.185.106/tcc/data/> accessed 04/30/2001.

<sup>32</sup> Inter-American Development Bank, Economic and Social Progress in Latin America, Johns Hopkins University Press, Washington, D.C., 1996. 155.

effects, the indigenous followed with the first of many protests. Making matters worse, plummeting oil prices, damage caused by an El Niño storm, and the international financial catastrophe in the late 1990's additionally hindered economic development. Petroleum production and agricultural exports are all that the government can depended upon to maintain solvency. The petroleum sector is mainly state-operated and generates about 50 percent of public sector revenue, 36 percent of export earnings, and has the capability of ensuring a favorable trade balance. Major new venture capital in the sector has not been forthcoming owing to delays from indigenous objections to adding to the existing oil pipeline and constructing a follow on pipeline across the Andes thru native territory.<sup>33</sup> Complicating the issue is the government's corruption and the practice of ignoring provisions with non-state owned companies holding legal contracts. The government hopes to boost the tourism industry and diversify revenue in this manner based on the success achieved with the Galapagos Islands and expanding from there.<sup>34</sup> However, this does not address the advantages export diversification can provide for the economy.

Focusing more closely on the economic history is an article written by Joan B. Anderson on Ecuador, which is a lengthy study of the country's political economy since 1950 to 1992. The primary finding of this article could characterize many Latin American countries. They all have been or continue to be dominated by highly unequal income distribution and a dependence on the export of primary goods.<sup>35</sup> This has certainly been the case for Ecuador since independence. Of significance is the creation of a middle class during the state-led attempt at industrialization utilizing the ISI model. The nature of industrial work presupposes an education and literacy in order to build skills. Therefore indigenous participation was and continues to be small. The failure of this program can be seen in the continued reliance on primary products for export earnings, and the larger, rural majority of the population carrying the brunt of poverty. Market reforms were undertaken in the 1980's, but Anderson feels that market forces will

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<sup>33</sup> U.S. Department of State. Trade Compliance Center, "Country Reports on Economic Policy and Trade Practices, Ecuador," 1999. <http://199.88.185.106/tcc/data/> accessed 04/30/2001.

<sup>34</sup> Library of Congress. "Country Studies/Area Hand Book, Ecuador," <http://lcweb2.loc.gov/frd/cs/cshome.html> Accessed 3/7/2001.

<sup>35</sup> Anderson, Joan B. "Ecuador" Laura Randall ed. The Political Economy of Latin America in the Postwar Period, University of Texas Press, Austin, 1997. 269.

be insufficient by themselves to create growth and equity. Improvements in education, health and literacy have occurred with the advent of the boom periods, however she characterizes the country "with an overdeveloped bureaucracy and overprotected, monopolized industry, both working to maintain the wealth and power of the upper classes" and a declining potential for future development.<sup>36</sup>

As the ISI strategy was unsuccessful in transforming the Ecuadorian economy, industry is largely oriented to servicing the domestic market, but due to the shift in economic policy to export oriented growth, is slowly becoming more export oriented.<sup>37</sup> Export oriented growth threatens the indigenous people as they are primarily subsistence farmers. Incentives would only go to those who specifically designed their farms for large-scale production in single products for export. When Febres Cordero took office in 1984, he did what many other Latin American countries in following years would do, and transitioned to a free market economy. The exchange rate was devalued and many state regulations and controls eliminated. He opened up oil exploration to foreign corporations and created incentives to draw private capital into Ecuador.<sup>38</sup> Competition was allowed in the economy by cutting tariffs and quotas on a large number of manufactured goods. The loss of protection for local manufacturers and rising interest rates caused production to slowdown and unemployment to rise leading to strikes in 1986 and 1987. A major earthquake in 1987 dealt a major blow to the economy by rupturing the oil pipeline, and interrupting the export of oil on which Ecuador had become so dependent. All debt service payments were suspended until the country could recover from these disasters. Inflation began to rise and income distribution became increasingly uneven impacting the indigenous worst of all.<sup>39</sup>

In 1994, the macroeconomic program in place resulted in a balanced budget and a fall in the inflation rate. However, several shocks in the mid to late 1990's led to a stall in the economic reform program. Falling oil prices, and coastal devastation from El Nino

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<sup>36</sup>Ibid, 270.

<sup>37</sup> U.S. Department of State. Trade Compliance Center, "Country Reports on Economic Policy and Trade Practices, Ecuador," 1999. <http://199.88.185.106/tcc/data/> accessed 04/30/2001.

<sup>38</sup> Anderson, Joan B. "Ecuador" Laura Randall ed. The Political Economy of Latin America in the Postwar Period, University of Texas Press, Austin, 1997. 238.

<sup>39</sup> Ibid, 239.

distracted the government which was not up to the task, and failed to privatize the state owned telephone company, reduce the inflation rate, or improve the electricity generation segment of the economy. The administration of Jamil Mahuad inherited major economic problems and was wracked by a persistent fiscal budget deficit, a poorly managed banking system, a currency continually being devalued, inflation, and negative economic growth. Debt service accounts for close to 41 percent of central government expenditures. The country can be viewed as suffering from "Dutch disease" and remains highly dependent on oil revenue and customs charges.<sup>40</sup> The effect on the indigenous peoples is poor long-term funding for the Institute of Agrarian Reform and Colonization (IERAC). Designed to reduce unequal land distribution, it is one of the first programs to suffer during economic crisis and the last to be funded. Its poor performance is reflected in its creation of many land disputes and human rights abuses of indigenous peoples.<sup>41</sup>

## **B. THE DRIVE FOR OIL**

While the indigenous might in some instances be recognized to hold title to land, under the constitution, all subsurface resources are property of the state. Therefore the government feels justified in ignoring indigenous claims. Petroleum is the basis for Ecuador's external economy, with average production of 236,000 barrels per day accounting for 12 percent of GDP. Exports of 85 million barrels of crude and 13.7 million barrels of refined products earned \$1.5 billion, up from \$924.2 million in 1998. The price of Ecuadorian crude averaged \$15.50 in 1999. As of July 2000, it was close to \$26.3 per barrel. Although the government technically allows the free retail pricing of gasoline, wholesale margin controls effectively set the pump price. Three quarters of crude production comes from fields in the Amazon basin originally developed by Texaco and now operated by Petroecuador, the state oil company. Of remaining proven reserves of 21 billion barrels, 3.5 billion can be extracted using current methods and 11 billion could be extracted using advanced technology. Private oil companies (e.g., Occidental, Oryx, YPF Ecuador) operating under service and participation contracts have brought

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<sup>40</sup> U.S. Department of State. Trade Compliance Center, "Country Reports on Economic Policy and Trade Practices, Ecuador," 1999. <http://199.88.185.106/tcc/data/> accessed 04/30/2001.

<sup>41</sup> Selverston, Melina H. "Indigenous Peoples and the State in Ecuador." In Van Cott, Donna Lee, ed., *Indigenous Peoples and Democracy in Latin America*. New York. St. Martin's Press. 1994. 147.

new fields on line and production could increase further with the construction of a new oil pipeline.<sup>42</sup>

According to the Central Bank of Ecuador the United States claims 38 percent of Ecuador's Export Market and is responsible for 31 percent of imports to Ecuador. In Ecuador-U.S. trade, oil has been Ecuador's main export, but in achieving this mark have driven to near extinction some of the smaller indigenous nationalities. Where once a community might number 20,000 inhabitants are now reduced to around 1,000.<sup>43</sup> However, Ecuador remains a marginal oil supplier to the U.S. with a share of less than 1.5 percent of the import market. Petroleum is not covered by trade preferences.<sup>44</sup> Ecuador is one of Latin America's largest crude oil exporters, which makes it important in the context of world energy markets. Exploration has shown that 2.1 billion barrels of oil reserves exist within Ecuador predominately on indigenous territory. In 1999, calculations arrived at a figure of 379,600 barrels per day (bbl/d) of oil are produced. Domestic consumption accounts for only 152,000 bbl/d allowing for the remaining two thirds to be exported.<sup>45</sup>

The indigenous peoples have suffered from a "government that has failed to regulate and supervise the activities of both the state-owned oil company and of its licensee companies."<sup>46</sup> Extreme environmental damage has occurred from over 20 years of oil production. Oil exports are fast becoming the main source of government revenue for Ecuador as the price of oil achieved levels within the high \$20 to low \$30 price band in 2000. "The oil price collapse of 1998-1999 had negative ramifications for the Ecuadorian oil industry, as maintenance was postponed and wells were shut in."<sup>47</sup> As an

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<sup>42</sup> Soltani, Atossa, et al. Amazon Watch. "The New Heavy Crude Pipeline in Ecuador" June 2001. <http://www.amazonwatch.org>

<sup>43</sup> Selverston, Melina H. "Indigenous Peoples and the State in Ecuador." In Van Cott, Donna Lee, ed., Indigenous Peoples and Democracy in Latin America. New York. St. Martin's Press. 1994. 136.

<sup>44</sup> Embassy of Ecuador: Washington D.C., <http://www.ecuador.org/ecuadortrade.html> accessed 9/6/2001.

<sup>45</sup> U.S. Department of Energy, Energy Information Administration, "Ecuador." 2000. <http://www.ela.doe.gov/cabs/ecuador.html> accessed 8/29/2001.

<sup>46</sup> Organization of American States, Inter-American Commission on Human Rights, Report on the Situation of Human Rights in Ecuador. <http://www.cidh.oas/countryrep/ecuador-eng/chapter-8.htm> Accessed 11/30/2001.

<sup>47</sup> U.S. Department of Energy, Energy Information Administration, "Ecuador." 2000. <http://www.ela.doe.gov/cabs/ecuador.html> accessed 8/29/2001.

attempt at partial privatization of the state oil company Petroecuador, plans were made to offer a tender in a bid to draw foreign direct investment (FDI). To be included in the deal are Ecuador's five most successful fields: Shushufindi, Sacha, Libertador Cononaco, and Auca. It is hoped that FDI will improve the collective production anywhere from 60,000-100,000 bbl/d at the five fields. Just over half of national production, 180,000 bbl/d in 1999, was derived from these fields, and the trend has been downward. Privatization of Petroecuador is expected although it is not known when. Difficulties have continued to plague the process. In one instance former President Mahuad asked for the resignation of Petroecuador president Jorge Pareja in November 1999. Mahuad believed in privatizing and wished to accomplish the sale of the company quickly. Pareja on the other hand was a supporter of retaining more government power over the daily operation, so due to differing opinions Pareja was out, but Mahuad would not last much longer himself. While a detailed privatization plan has not yet been presented, steps toward that end are anticipated.<sup>48</sup>

Currently, the preponderance of the foreign investment in Ecuador is in the Amazon region, occupied by indigenous peoples, where Ecuador has the largest of its oil deposits. The profit margin makes other areas such as agriculture where the indigenous peoples predominate the work force, unattractive to invest in. As it stands now oil pipeline infrastructure in Ecuador acts as a bottleneck to production. Any increase would have to come from a second pipeline<sup>49</sup>. "The major pipeline, the Trans-Ecuadorian (SOTE), extends about 300 miles from the Lago Agrio area in the Oriente to the Balao terminal near the port city of Esmeraldas."<sup>50</sup> First built by Texaco at the start of the 1970s, the pipeline has undergone several renovations. Capacity from these expansions has raised the average daily flow to around 365,000 bbl. Projected expansions could increase this flow to 390,000 bbl/d. With the only constraint being capacity on the SOTE operators have been forced to shut in more than 100,000 bbl/d of oil field capability.

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<sup>48</sup> Ibid.

<sup>49</sup> Soltani, Atossa, et al., Amazon Watch. "The New Heavy Crude Pipeline in Ecuador" 2001. <http://www.amazonwatch.org>

<sup>50</sup> U.S. Department of Energy, Energy Information Administration, "Ecuador." 2000. <http://www.ela.doe.gov/cabs/ecuador.html> accessed 8/29/2001.

With the single pipeline a range of crude gravities are mixed within, resulting in the Oriente's extensive variety of crude production to settle for an average price.

The new pipeline is intended to lessen oil transfer capacity constraints and separate the higher quality crude. However, it transits areas prone to earthquakes and an oil spill will contaminate indigenous peoples physical environment and their dietary staples. Ecuador instituted new legislation making the construction of pipelines easier. A consortium of seven multinational corporations headed by Canada's Alberta Energy received permission to begin construction of the \$1.1 billion pipeline. The consortium, which also includes Repsol-YPF (Spain), Kerr-McGee (USA), AGIP (Italy), Perez Companc, and Techint of Argentina, and Occidental Petroleum (USA), will operate on a 20-year BOOT (Build Own Operate Transfer) contract. The latest legislation, TROLE II, permits private companies to own and operate pipelines in perpetuity.<sup>51</sup> In the past, all infrastructures concerning oil had to be turned over to the government after a suitable period of time had elapsed. The new law also will allow pipeline owners to set tariffs of their own choosing and loosen up requirements for downstream outlay by producers. "Once the pipeline is completed, Ecuador's transport capacity could increase to as much as 700,00-800,000 bbl/d, allowing for significant increases in oil production."<sup>52</sup>

Two companies, Perez Companc and Cayman Oil have been exploring in Ecuador's most productive region, the Oriente and have been successful in their efforts. Both companies triumphed with their test wells in the province tapping what is projected to be 555 million barrels of reserves, and stimulating additional exploration. These activities generate byproducts and toxic wastes that are improperly disposed of on indigenous peoples territory. However, difficulties with the indigenous have caused some companies to sell their assets in Ecuador. In August 1999 the Japan National Oil Corporation announced its intention to cease all efforts in the country. In October 1999, Arco not only decided to divest itself of Ecuadorian possessions, but also of its potentially profitable properties in Colombia and Peru. As a consortium associate in Arco's efforts in Ecuador, Agip was able to take over operations in Arco's Villano field.

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<sup>51</sup> Soltani, Atossa, et al., Amazon Watch. "The New Heavy Crude Pipeline in Ecuador" 2001. <http://www.amazonwatch.org>

<sup>52</sup> U.S. Department of Energy, Energy Information Administration, "Ecuador." 2000. <http://www.ela.doe.gov/cabs/ecuador.html> accessed 8/29/2001.

"In July 2000, CMS Energy sold its Ecuadorian assets to Crestar Energy of Alberta, Canada."<sup>53</sup> One of the factors that caused this move was increasing pressures from indigenous demonstrations and legal actions showing that the indigenous population is not in agreement with the Ecuadorian government's pro-oil policies.

## C. FISCAL POLICY

Looking back to 1997, President Alarcon saw the imposition of major revenue measures as the wrong policy. With an eye toward helping the poor, he instead decided to improve tax and debt collections and fix fuel distributor profit margins in order to lower the budget deficit. The next year, he again allowed a monthly scheme for gasoline price adjustments, but would not allow the elimination of state subsidies for cooking gas and electricity, which hurt the financing of government spending. Congress' rejection of Alarcon's proposal, raising the value-added tax from 10 percent, hindered the best method of funding the government's budget shortfall. This resulted in the selling of large amounts of short-term (one-year) domestic debt. As Alarcon's interim presidency came to an end in August of 1998, President Mahuad's first actions were to cut gas and electricity subsidies in an attempt to shrink the budget deficit from 7 to 5.5 percent of GDP, and in so doing enraged the indigenous who survive at a subsistence level.

Mahuad's ability to work with Congress led to the replacement of the income tax system.<sup>54</sup> The previous system had taxed personal income at 10-25 percent, corporate income at 44.4 percent and foreign remittances at 36 percent.<sup>55</sup> Fiscal troubles led Congress to vote in a makeshift fiscal package in May. This legislation brought back the income tax at significantly lowered levels for the year 2000 and lessened the estimated fiscal deficit to a more controllable point of 5.8 percent of GDP. In the medium-term the Noboa government needs a fiscal stabilization program, if they intend to qualify for the IMF stand by program. After President Noboa's elevation to the presidency in 2000, he

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<sup>53</sup> Ibid.

<sup>54</sup> Library of Congress. "Country Studies/Area Hand Book, Ecuador," <http://lcweb2.loc.gov/frd/cs/cshome.html> Accessed 3/7/2001.

<sup>55</sup> Edwards, Sebastian. Crisis and Reform in Latin America From Despair to Hope. Oxford University Press, New York. 1995. 87.

instituted considerable increases in energy prices and rates at the start of June despite indigenous protests.<sup>56</sup>

#### **D. MONETARY AND EXCHANGE POLICY**

Commencing in February 1999, the sucre was allowed to float freely against the U.S. dollar and other foreign currencies as the central bank discarded its crawling peg exchange rate system. Until February the Central Bank had managed the currency float within a pre-announced band in order to control the market price of the sucre. In an attempt to control inflation the Bank recurrently raised short-term interest rates and sold foreign reserves to bind the sucre's depreciation. Despite the efforts from February 1999 to early January 2000, the sucre fell from 7,400 to nearly 30,000 to the dollar before being fixed at 25,000 to the dollar under President Mahuad's dollarization plan. This action would be catastrophic for the poor, as prices would skyrocket and immediately engendered protests from the indigenous. Nearly a year later, on September 9, 2000 Ecuador completed the adoption of the U.S. dollar as its currency, and is characterized as the largest officially dollarized country in the world.<sup>57</sup>

In the context of Ecuador the expression, dollarization refers to the dollar's entire replacement of the country's legal tender.<sup>58</sup> Gross domestic product was then anticipated to grow 1.3 percent in 2000 up from an earlier forecast of zero percent. Employment slowly began to rise and short-term interest rates dropped to about 10 percent of what they were just before dollarization. With a national unemployment rate of 65 percent, few Ecuadorians, especially the indigenous peoples could enjoy any benefits of dollarization.<sup>59</sup> Ecuadorians during the process took more than 600 million and put it in local banks. The central bank sold the public nearly 400 million in exchange for its sucre. In the end the central bank still had about as much in foreign reserves as it did before the dollarization process began. Confidence had risen such that foreign debt was

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<sup>56</sup> Library of Congress. "Country Studies/Area Hand Book, Ecuador," <http://lcweb2.loc.gov/frd/cs/cshome.html> Accessed 3/7/2001.

<sup>57</sup> Ibid

<sup>58</sup> Berg, Andrew, Eduardo Borensztein, "The Dollarization Debate, Finance & Development, March 2000, Vol 37, Number 1. <http://www.imf.org/external/pubs/ft/fandd/2000/03/berg.htm> Accessed 9/5/2001

<sup>59</sup> Velpel, Mary, "Ecuador: Crisis In Democracy," <http://vaxxine.com/cowac/ecuador2.htm> Accessed

partly renegotiated and the monthly rate of inflation peaked and then began declining.<sup>60</sup> This was a major step in monetary reform and effectively removes the central bank from the economic picture as well as the temptation to print money.

## **E. INTERNATIONAL FINANCIAL INSTITUTIONS**

Like the majority of Ecuadorians, the indigenous dislike the structural adjustment policies required by the International Monetary Fund (IMF). They feel their implementation lowers the standard of living to a dangerous level and does nothing to alleviate economic problems in the state. Despite widespread protests, an agreement was made with the IMF to a two-year stand-by loan with Ecuador in 1994. This settled many questions internationally and allowed for multilateral program lending and discussions for the resolution of its foreign commercial debt. The economic setbacks of 1995 and Ecuador's inability to reach agreed upon targets resulted in the programs cutoff. At this time the Alarcon administration wanted a new accord with the IMF to allow a deferment of amount outstanding on government debts with the Paris Club. As it stood the IMF decided against following up with a plan in conjunction with the Alarcon administration. Lacking political power, a number of necessary actions by the government, such as dropping state subsidies for cooking gas and electricity, movement in the direction of privatizing state-owned enterprises and taking significant actions to close the fiscal deficit was not forthcoming. The Noboa Administration was eventually able to achieve IMF concurrence for a one-year program in April 2000 although this was met by indigenous protests. Discussions with the IMF centered on an estimated \$400 million for the stand by program.<sup>61</sup>

## **F. STRUCTURAL REFORM AND PRIVATIZATION**

Market-oriented reforms are currently the economic principle of choice in Latin America, but Ecuador has been lackadaisical and selective in adopting them. The New

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<sup>60</sup> Dora de Ampuero, "Ecuador's Free Fall Ends Thanks to a Switch to Dollars." *The Wall Street Journal*. New York, Sep 1, 2000.

Economic Model developed from the Washington Consensus accepts that market forces reinforce export-led growth and that the inverse applies equally well.<sup>62</sup> Despite progress in the 1990's completed on trade liberalization and monetary policy reforms, most administrations have been forced or chosen not to follow up and strengthen these reforms. Implementing those structural changes essential for drawing investment and stimulating growth have not been pursued and many new laws, which allow private participation in the oil sector, privatization of shares in state companies, and banking transformation are not producing the desired results. A telecommunications privatization law was enacted in 1995, yet those assets only recently were slated for sale in the year 2001.<sup>63</sup> As a result Ecuador is branded as a "nonreformer" whose policies are at most very timid at accomplishing any fiscal, trade or labor market reform.<sup>64</sup> As such, the economy does not provide opportunities for indigenous participation

In the first few months of 2000 a new law was approved which incorporated essential fundamentals allowing for privatization in the electrical, telecommunications and petroleum sectors, areas where the indigenous have no stake. Sale of the Government's electrical distribution companies is planned in the generation and transmission facilities, but has progressed slowly. Notwithstanding a number of short discussions, it has been politically impossible to seriously set proposals to privatize any of the many companies the armed forces gain revenue from. Less than interested management has bankrupted the Social Security Institute and yet proposals to permit private pension funds have yielded solid opposition. Congress has only debated ideas to revamp the failing educational system. Any improvement would facilitate Ecuadorians ability to effectively participate in the international market. Congress can easily turn

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<sup>61</sup> Library of Congress. "Country Studies/Area Hand Book, Ecuador," <http://lcweb2.loc.gov/frd/cs/cshome.html> Accessed 3/7/2001.

<sup>62</sup> Bulmer-Thomas, Victor. The New Economic Model in Latin America and its Impact on Income Distribution and Poverty. St. Martin's Press, New York. 1996. 10.

<sup>63</sup> Library of Congress. "Country Studies/Area Hand Book, Ecuador," <http://lcweb2.loc.gov/frd/cs/cshome.html> Accessed 3/7/2001.

<sup>64</sup> Edwards, Sebastian. Crisis and Reform in Latin America From Despair to Hope. Oxford University Press, New York. 1995. 61.

aside the introduction of new privatization initiatives, as happened in July 1999 to the Mahuad government.<sup>65</sup>

## **G. TRADE BARRIERS**

Tariff Barriers are a key indicator of openness to the world economy and their reduction can help the process of export-led development. Their presence in Ecuador is a result of the ISI policy, and their removal has grave implication for the industries dependent on them and the middle-class employed in this sector. Ecuador has made strides in liberalizing its trade policies since 1990, with many reductions of tariffs and tariff dispersion. They have eliminated most non-tariff surcharges, and enacted an in-bond processing industry law resulting in a relatively open market to imports and direct investment. The state also reduced its investment in rural infrastructure and endangered many small land holdings of indigenous peoples. In January 1996, the country decided that most of its tariff rates would be 30 percent or less in a plan titled Harmonized System of Nomenclature, to honor its commitment to the regulations of the WTO. In the time since joining the WTO, the average applied tariff rate has been around 13 percent ad valorem. This is more a reflection of a regional organization, the Andean Community, and its Common External Tariff (CET). This works on a four-tiered structure with levels of 5 percent applying to most raw materials and capital goods, 10 or 15 percent for intermediate goods, and 20 percent for the majority of consumer goods.<sup>66</sup>

The Andean Common External Tariff (CET) itself has a range of 0-20 percent. A 35 percent duty is reserved for automobile imports to protect the local assembly business. Intermediate goods are typically imported at 10 or 15 percent duty. The majority of consumer imports fall within the 20 percent range. Unprocessed or raw materials used by manufacturers and capital goods usually are charged nothing or at the most, 5 percent. There are some capital goods and industrial inputs that garner special attention from the state. These tariffs have reduced employment opportunities leaving urban households to take up informal jobs. Indigenous peoples would now find unstable employment in the

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<sup>65</sup> Library of Congress. "Country Studies/Area Hand Book, Ecuador," <http://lcweb2.loc.gov/frd/cs/cshome.html> Accessed 3/7/2001.

<sup>66</sup> U.S. Department of State, Trade Compliance Center, "Country Reports on Economic Policy and Trade Practices, Ecuador," 1999. <http://199.88.185.106/tcc/data/> accessed 04/30/2001.

urban areas, making them migratory. Exceptions under the Andean common tariff have been made for Ecuador that permits for lower duties on these items. A transitional safeguard system allows Ecuador to slowly withdraw from the Harmonized System of Nomenclature starting in March 1999. Automotive parts, home appliances and corn are some of the items that have been exempted from this system. Many anticipate that this method will be done away with entirely, however a timetable has yet to be decided upon.<sup>67</sup>

Non-Tariff Barriers offer a less visible yet no less effective means of closing the economy to foreign competition.<sup>68</sup> One method requires approval from a number of ministries for many goods before they may be imported. These can be any items such as processed foods, cosmetics, liquors, certain medical disposables, agricultural, gambling equipment, animal feed, mineral fertilizers, and vegetable seeds to name just a few. Another technique of restricting import quantities is based on the arbitrary use of sanitary/phytosanitary rules. This mainly affects farm products that are not permitted to enter Ecuador. Also, certain official and unofficial quantitative restrictions are created by Ecuador. With the exception of tractors, used motor vehicles falls into this category. While the government may implement a new policy authorizing the importation of used agricultural equipment, the current policy makes it difficult for indigenous peoples to effectively farm their land using antiquated equipment. Also on the agenda is the importation of used vehicles for public transportation use, on which the indigenous peoples depend, such as buses and taxis, but in this case an alteration to the transit law must be made. The Andean price band system also comes into play as a number of agricultural commodities fall under that system, which was created to protect local farmers. This system also includes a variable additional duty for third party imports based upon world prices.<sup>69</sup>

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<sup>67</sup> Ibid.

<sup>68</sup> Gillis, Malcolm et al, Economics of Development, W.W. Norton & Company, Inc. New York, 3rd ed 1992. 475.

<sup>69</sup> U.S. Department of State, Trade Compliance Center, "Country Reports on Economic Policy and Trade Practices, Ecuador," 1999. <http://199.88.185.106/tcc/data/> Accessed 04/30/2001.

## H. FINAL ASSESSMENT

This section has attempted to provide a quick yet complete picture of the political-economic situation of Ecuador in the past. We can see how single commodities have prevented diversification and why gains are distributed to a select few. The decline in cocoa, banana, or oil prices and the ensuing bust is a reflection of the extreme vulnerability dependence on one commodity creates. The ISI policy failed to provide stunning growth, and the follow on adjustment policies seem only to exacerbate the problems among the poorer sectors. Of interest is the contrast in ideas of the many presidents and their actions. The large number of them, nineteen in twenty years, along with military takeovers shows how quickly dissatisfaction with an unstable economic environment can shift politics. In one way or another the economic problems are all connected to the wealthy elite classes. Anderson herself cites elite tendencies to side with the interests of the industrialized countries. Also is the desire to shape policies that maintain their power over labor and resources.<sup>70</sup> While oil has long been known to exist in Ecuador, the growth of that industry since 1917 has been nonexistent until the explosion of development in 1972 and its subsequent nationalization. The expansion of oil into the Amazon renders the land unusable for subsistence farming, does not provide jobs for the local indigenous, return revenue or social programs to them, and has been accomplished without the consent of the local communities.

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<sup>70</sup> Anderson, Joan B. "Ecuador" Laura Randall ed. The Political Economy of Latin America in the Postwar Period, University of Texas Press, Austin, 1997. 240.

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### III. ECUADORIAN POLITICS

The indigenous people of Ecuador have suffered from a system of cultural, economic and political exclusion since the period of colonial rule. Before the transition from military rule, illiteracy legally prevented these people from political participation in the system, as the majority could not read Spanish, their second language. While the latest constitution protects the rights of these people, those declarations have by and large remained unfulfilled. In conflicts with the ruling elite, their interests have often been set aside. A class-based system constructed to ensure domination of the indigenous has made them a submissive people in the eyes of the other sectors of the population, and easily discriminated against. Many reforms had been purposely obstructed in order to prevent the extension of full civil rights to the indigenous.<sup>71</sup> Depending on primarily subsistence farming to survive, the national government is only focused on the interregional tensions between the Sierra landed elite and the costal oligarchy. Problems of "representation, populism, murky relationship between the different branches of government, and the ongoing lack of institutional legitimacy" have forced the indigenous to seek other means of political voice. This chapter will show why the government has failed to incorporate the indigenous nor been able to provide them with a legal voice in the political process.

#### A. THE POLITICAL PARTIES

"The formulation of a coherent growth strategy under democratic auspices ultimately hinge on whether political institutions allow for effective management of a market economy while remaining accountable to the interests and aspirations of competing social and economic interests."<sup>72</sup> Based on a cultural paradigm, political parties have called the indigenous peoples as "the greatest weight the nation had to

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<sup>71</sup> Blanksten, George I. Ecuador: Constitutions and Caudillos. Russell & Russell Inc, New York. 1964. 16.

<sup>72</sup> Haggard, Stephan and Robert R. Kaufman, The Political Economy of Democratic Transitions. Princeton University Press, Princeton. 1995. 310.

bear.<sup>73</sup> In 1979 the government of Ecuador was transferred from military to civilian rule when Jaime Roldós Aguilera was elected president. With that election came a new constitution with its major feature granting illiterates the right to vote. The voting proportion of the population expanded in that single act from about 15 percent to 21 percent in 1979 and 31 percent in the 1984 election.<sup>74</sup> Politics in Ecuador today can be characterized as a fragmented party system, which creates the added problem of minority governments. Regionally fragmented voting and the application of a closed-list proportional representation system, coupled with an electoral cycle that includes midterm elections results in a situation conducive to the creation of many parties. The subsequent party rivalries and factionalism usually makes it complicated to pass legislation.<sup>75</sup>

An incoming president would have some support in Congress at the start of his term will likely have it vanish in the midterm election. A personal conflict among members within a party often fosters the creation of new parties. The closed list proportional representation system means popular members with large followings can start their own party rather than subject oneself to the leadership's authority. The ban on immediate reelection of deputies also encourages the creation of new parties, increasing the lack of order. Government patronage often causes defection from opposition parties, often received in exchange for votes on executive sponsored bills.<sup>76</sup> This lack of focus among party elite was reflected in their inability to understand let alone respond to indigenous peoples demands of the June 1990 uprising.<sup>77</sup>

Another feature of Ecuadorian parties are party registration rules that encourage politicians to switch sides that in effect reduces internal coherence and threatens the party survival. Parties that do not earn 5 percent of the votes cast in two consecutive elections

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<sup>73</sup> CIDOB Foundation, "Indigenous Peoples and Movements in Latin America," Universal Forum of Cultures, [http://observatorio.barcelona2004.org/observatorio/mostrarDossier\\_i.htm?num\\_dossier=178](http://observatorio.barcelona2004.org/observatorio/mostrarDossier_i.htm?num_dossier=178) Accessed 11/7/2001

<sup>74</sup> Randall, Laura, ed., The Political Economy of Latin America in the Postwar Period, University of Texas Press, Austin, 1997, 238.

<sup>75</sup> Diamond, Larry et al., Democracy in Developing Countries Latin America 2nd ed. Lynne Rienner Publishers, Inc., Boulder. 1999.

<sup>76</sup> Crisp, Brian F., Erika Moreno, Matthew Soberg Shugart, "Bolivarian vs. Consensual Modes of Constitutional Replacement in Latin America in the 1990s," Paper presented at LASA 2000, 11.

<sup>77</sup> Mainwaring, Scott and Timothy R. Scully, Building Democratic Institutions Party Systems in Latin America. Stanford University Press, Stanford. 1995. 455.

lose their license to participate in upcoming elections. Originally intended to reduce the existence of multi-parties in Ecuador, this regulation encouraged small parties to invite celebrity candidates into their ranks to guarantee their survival.<sup>78</sup> Parties purporting to represent indigenous peoples would have difficulty reaching the 5 percent minimum in the rural areas as they still hold to social and national assimilation. Political parties suffer from factionalism, weak organization, and are overshadowed by personalistic movements. As they are small, loose organizations, they depend on the populist candidate with enough charisma to retain the support of the masses. Ideology often is a secondary consideration. Persistent regional rivalries between the agrarian oriented, highland capital of Quito and the liberal, trade oriented, coastal region of which Guayaquil is the country's principal economic center, contribute to contentious political debates.<sup>79</sup>

Two parties compose Ecuador's foremost Sierra-based center and center-left parties and advocate assimilation along the lines of the customary modernizing model for the indigenous people. The first of these, Popular Democracy (DP) performed the best in the 1998 elections capturing the leading block in Congress (33 seats), while the Democratic Left (ID) won 17 seats. Occupying the pragmatic center, the DP as of the 1981-1984 presidency of Osvaldo Hurtado has been establishing itself as the party to beat. However, following Mahuad's expulsion from office and extensive denigration of his 17-month administration, the party did extremely poorly in the May 2000 local elections. The DP's most important member of Congress, Juan Jose Pons representing the coastal region, was President of that institution until a constituent of the PSC replaced him as its President in August 2000. The DP will also suffer a massive wave of defections due to Hurtado's resignation from the party on September 18, 2001. He was expected to make a run to succeed current President Noboa in the October 2002 elections. In order to do so, he will now have to join another party or found his own from among his supporters in the DP.<sup>80</sup>

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<sup>78</sup> Ibid

<sup>79</sup> Randall, Laura, ed., The Political Economy of Latin America in the Postwar Period, University of Texas Press, Austin, 1997, 238.

<sup>80</sup> "Former Ecuadorian Pres. Hurtado Resigns from Party He Co-Founded," <http://library.northernlight.com> Accessed 10/1/2001.

Previous examples of resignations include retired General Paco Moncayo who was the ID bloc leader in Congress, and another ID member, Rene Yandun, a fellow retired General. They are both now barred from that body after having announced their resignations in support of the January 21 protests by the indigenous peoples, where Mahuad was removed from office. Quickly following these events, local elections witnessed the ID achieve considerable position in the Sierra with the return to power of Moncayo as Mayor of Quito and Yandun as Prefect of Carchi Province in May 2000. Ex-President Rodrigo Borja (1988-1992) is the ideological leader of the ID and maintains a visible civic presence in order to maintain his legitimacy as a contender for the presidency. It was his administration that granted majority control over bilingual education programs to the indigenous people, which nearly caused his expulsion from the party. When the social democratic ID had the power of the Presidential Palace, they promulgated an extensive economic position for the state, but were unsuccessful at improving public services or state competence in business.<sup>81</sup>

A party with Maoist communist roots called the Popular Democratic Movement (MPD) is active in Ecuador. It falls on the far left of the spectrum yet it won 2 seats in the 1998 elections. It draws its strength from a number of public sector unions, together with the teachers union, UNE. Anti-government protests are a common approach for MPD leaders. Their constituents desire increased wages, guaranteed employment, and stopping needed reforms. While the MPD could only draw 2 percent of the presidential vote in the last election, its local candidates improved from its 1996 record in May 2000, propelled by the intense economic failure. However, among the organizations representing the indigenous people, all are careful to maintain a distinct separation from this and other communist based parties since their two ideologies have grown apart. An additional congressional leader is the former President of Ecuador (1992-1996) Sixto Duran-Ballen currently of the Ecuadorian Communist Party (PCE).<sup>82</sup> Known as a conservative, he was an architect educated in America. With his time in office he was able to implement a number of preliminary actions towards strengthening public finances

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<sup>81</sup> U.S. Department of State. Bureau of Western Hemisphere Affairs. April 2001. <http://www.state.gov/r/pa/bgn/index.cfm?docid=2906> Accessed 9/18/2001.

<sup>82</sup> Gunson, Phil, et al, The Dictionary of Contemporary Politics of South America. Macmillan Publishing Company, New York, 1989, 100.

and laying the foundation for structural reforms. With former President Duran-Ballen lending legitimacy, the party was able to win three seats in the 1998 elections.<sup>83</sup>

The manner in which these parties have been established and their goals, holds no attraction for indigenous voters. Ecuadorian political parties have no input in the policy-making process and are "disconnected from the electorate."<sup>84</sup> While many indigenous groups have been influenced by leftist ideology, they are not so much interested in a class struggle of the masses, as establishing their voice in the system using an identity-based ideology.<sup>85</sup> Indigenous organizations have developed due to land distribution problems but have found the most success with cultural demands. They have won concessions on bilingual education and been able to recast their image to the overall population. Continuing to organize among different indigenous communities, they have developed an ability to arrange mass protests on an unprecedented scale.<sup>86</sup> The ability of indigenous groups to influence national political actors, write alternative law proposals, and question the neoliberal policies of the state have placed these organizations in a unique social position. While agrarian reform has remained elusive, their political style has highlighted the government's inability to uphold civil and human rights of the indigenous.

## **B. POWER OF THE PRESIDENT**

While the benefits of presidentialism have been debated, its function does depend on "the president's legislative powers, the party system and upon societal conditions."<sup>87</sup> It is only through the office of the president that indigenous issues have been addressed. That process has not been perfect. Since 1984 conflicts between the executive branch, the unicameral legislature and the judiciary have sporadically stunned Ecuador. These

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<sup>83</sup> Library of Congress. "Country Studies/Area Hand Book, Ecuador," <http://lcweb2.loc.gov/frd/cs/cshome.html> Accessed 3/7/2001.

<sup>84</sup> Mainwaring, Scott and Timothy R. Scully, Building Democratic Institutions Party Systems in Latin America. Stanford University Press, Stanford. 1995. 435.

<sup>85</sup> Chalmers, Douglas A. et al The New Politics of Inequality in Latin America. Oxford University Press. New York. 1997. 176.

<sup>86</sup> Selverston, Melina H. "Indigenous Peoples and the State in Ecuador." In Van Cott, Donna Lee, ed., Indigenous Peoples and Democracy in Latin America. New York. St. Martin's Press. 1994. 132.

<sup>87</sup> Mainwaring, Scott and Matthew Soberg Shugart et al, Presidentialism and Democracy in Latin America. Cambridge University Press, New York. 1997. 4.

clashes were especially manifest during the authoritarian like rule, 1984-88, of the Febres-Cordero administration. A narrow victory for the Social Christian Party (PSC), his style provoked military mutinies and his short kidnapping by defiant troops. During his tenure the United States enjoyed close relations with Ecuador. Starting early in his administration, Febres-Cordero launched a free-market economic strategy, and took tough positions in opposition to drug trafficking and terrorism. However, for the indigenous people his policies of employing brutal tactics against social protest, suspension of agrarian reform and supporting violence against land takeovers represented a reversal of hard won victories. His administration ended with the nation's economic troubles deepening as a destructive earthquake in March of 1987 temporally halted oil exports.<sup>88</sup>

Rodrigo Borja Cevallos of the Democratic Left (ID) party assumed control of the presidency in August 1988. As a millionaire businessman from Guayaquil, Cordero had believed in a free market economy, as well as strong executive control of all areas of the government. Borja Cevallos, a social democrat from Quito, espoused a mixed economy, where the state would direct some aspects, and a pluralist government. In his first two years he was successful in reducing the austerity brought on by his predecessor.<sup>89</sup> He committed his administration to improving the protection of human rights, reforms opening foreign trade in Ecuador, and concluding an accord that resulted in the disbanding of the small terrorist group, "Alfaro Lives."<sup>90</sup> In indigenous matters he officially recognized one group as the representative of the indigenous people with negotiating power, responsibility over bilingual education, and tow communal land concessions. These actions produced expectations for other area such as land disputes that would eventually prove disappointing. As economic difficulties continued to rise the popularity of the ID began to fall, and opposition parties achieved power over Congress in 1990.<sup>91</sup>

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<sup>88</sup> U.S. Department of State. Bureau of Western Hemisphere Affairs. "Background Note: Ecuador." April 2001. <http://www.state.gov/r/pa/bgn/index.cfm?docid=2906> Accessed 9/18/2001.

<sup>89</sup> Library of Congress. "Country Studies/Area Hand Book, Ecuador," <http://lcweb2.loc.gov/frd/cs/cshome.html> accessed 3/7/2001

<sup>90</sup> Alexander, Robert J., ed, Political Parties of the Americas. Greenwood Press, Connecticut, 1982, 381.

<sup>91</sup> U.S. Department of State. Bureau of Western Hemisphere Affairs. "Background Note: Ecuador." April 2001. <http://www.state.gov/r/pa/bgn/index.cfm?docid=2906> Accessed 9/18/2001.

After trying for the third time, Sixto Duran-Ballen finally won the presidency in 1992. His administration's popularity experienced a down turn as macroeconomic adjustment measures produced austerity. Economic hardship produced a general increase in violence against the indigenous as their backwardness was commonly thought to be holding back the country.<sup>92</sup> Duran-Ballen did succeed with a few second-generation economic reforms passing through Congress. His secret implementation of a new Agrarian Law prompted swift protest from the indigenous people who felt that it promoted large-scale agriculture industry at the expense of small indigenous farmers. After police repression and a 'mobilization decree' amendments to the new law were agreed to via negotiation with the president. The economy itself experienced growth of almost 4 percent in 1994, but turned sluggish in 1995 producing about 2.3 percent. Inflation began to fall from about 55 percent in 1992 to about 22 percent in 1995. The vice president, Alberto Dahik, was the designer of the administration's successful economic strategy, but had to escape the country to evade trial on allegations of corruption subsequent to an intense political battle with the opposition in 1995.<sup>93</sup>

In 1996 running for the Guayaquil based Ecuadorian Roldosista Party (PRE), Abdala Bucaram succeeded to the presidency pledging populist economic and social reforms, and as Bucaram called it breaking the power of the nation's "oligarchy." Upon being inaugurated, Bucaram noted that it was the "first day of a people's administration, and the last day of supremacy of the oligarchs."<sup>94</sup> For the duration of his short term of office, Bucaram's government was criticized for corruption and concern due to his fiery rhetoric mounted. For the indigenous people he established the Ethnic and Cultural Ministry with two Amazon Indians to manage it. Most indigenous groups saw the move as an attempt to split the indigenous people's movement between the Sierra and the Amazon, and secure his popularity. However, after six months of austerity measures, an estimated 2 million citizens, including indigenous people, initiated a nationwide strike calling for Bucaram's removal. The Congress deposed Bucaram in February 1997 on

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<sup>92</sup> Selverston, Melina H. "Indigenous Peoples and the State in Ecuador." In Van Cott, Donna Lee, ed., Indigenous Peoples and Democracy in Latin America. New York. St. Martin's Press. 1994. 132

<sup>93</sup> U.S. Department of State. Bureau of Western Hemisphere Affairs. "Background Note: Ecuador." April 2001. <http://www.state.gov/r/pa/bgn/index.cfm?docid=2906> Accessed 9/18/2001.

<sup>94</sup> CNN World News, "Ecuador's defense minister resigns," February 8, 1997.

justification of supposed mental incompetence. In his place the president of Congress and head of the small Radical Alfarist Front party, Fabian Alarcon was appointed by Congress interim President. In a May 1997 popular referendum, the population accepted Alarcon's provisional presidency.<sup>95</sup>

After a year of politicking congressional and first-round presidential elections were held on May 31. As with previous elections, this one was extremely close requiring a run-off election between the top two candidates. Quito Mayor Jamil Mahuad of the Popular Democracy party and Social Christian Alvaro Noboa were the participants. Mahuad won on July 12, 1998 by a narrow margin, but it was enough to satisfy the requirement for a majority. On the day the new constitution came into effect, August 10, 1998, he took office. Escalating economic, fiscal, and financial trouble made its effect felt on his popularity as it gradually worsened. After a little more than a year in office demonstrations in Quito by indigenous groups caused his downfall. The military and police declined to impose public order. On January 21, 2000 demonstrators rushed the National Assembly building, taking over the country, and assembling a three-person "junta," indigenous, judicial, and military to run the nation. Support from the field grade military officers made the concept a reality. Overnight President Mahuad had no choice but to abandon the presidential palace to secure his well-being.

Learning from history, Vice President Gustavo Noboa took over the presidency based on negotiations involving the junta and senior military officers. On the morning of January 22, Mahuad appeared on national television to back Noboa the successor. In an emergency session of Congress held in Guayaquil later that day, Noboa was confirmed as President of the Republic in constitutional succession to Mahuad.<sup>96</sup> Previous presidents had worked to raise the autonomy of their technocratic advisors, insulating them from congressional pressures. This style of policy making would allow the indigenous to work directly with the president, yet it also excludes other groups "without direct channels of

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<http://www.cnn.com/WORLD/9702/08/ecuador/index.html> Accessed 10/9/2001.

<sup>95</sup> U.S. Department of State. Bureau of Western Hemisphere Affairs. "Background Note: Ecuador." April 2001. <http://www.state.gov/r/pa/bgn/index.cfm?docid=2906> Accessed 9/18/2001.

<sup>96</sup> Ibid.

representation.<sup>97</sup> For now Noboa's powers remain the same, yet he must continually negotiate with the indigenous who continue to protest adjustment policies. Despite this in June of 2001 he approved construction of a new heavy crude pipeline via a controversial route. In the process the constitutionally mandated prior public consultation with affected communities was avoided, and approval was based upon an inadequate Environmental Impact Assessment.<sup>98</sup> So far, only legal action has been taken by the indigenous people and other concerned groups.

### C. THE NEW CONSTITUTION

In 1998 a National Constitutional Assembly specially elected for this purpose ratified constitutional modifications on August 10. Of the 70 seats available, 45 were won by the major parties, leaving the rest to smaller parties, political movements and individual candidates. Presumably some might have gone to indigenous people although it is doubtful. The new constitution has explicitly made the executive branch the most powerful political institution in Ecuador. Through the removal of mid-term congressional elections and limiting Congress' power to challenge cabinet ministers, the president's position becomes more secure. The new constitution also added more reactive presidential powers such as vetoing legislation on constitutional grounds.<sup>99</sup> Party discipline is conventionally weak, and customarily many deputies change loyalties at some point in each Congress. Conversely, once the new Constitution went into operation, the Congress approved a code of ethics, which entails consequences for members who disregard their party leadership on crucial votes.<sup>100</sup> These changes signify to the indigenous that only negotiation with the president can they express their interests.

Only a Constitutional Court can overturn vetoes, so congressional influence in the policy making process has been effectively reduced. Also eliminated is the referendum

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<sup>97</sup> Mainwaring, Scott and Timothy R. Scully, Building Democratic Institutions Party Systems in Latin America. Stanford University Press, Stanford. 1995. 457.

<sup>98</sup> Soltani, Atossa, et al., Amazon Watch. "The New Heavy Crude Pipeline in Ecuador" 2001. <http://www.amazonwatch.org>

<sup>99</sup> Mainwaring, Scott and Matthew Soberg Shugart et al, Presidentialism and Democracy in Latin America. Cambridge University Press, New York. 1997.

<sup>100</sup> U.S. Department of State. Bureau of Western Hemisphere Affairs. "Background Note: Ecuador." April 2001. <http://www.state.gov/r/pa/bgn/index.cfm?docid=2906> Accessed 9/18/2001.

option of legislative override where a popular referendum could override a veto. Furthermore the new constitution stipulates that only the executive can introduce the budget and that congress cannot propose increases in expenditures or revenues. This is completely opposite of the 1979 constitution, which established that members of congress had the right to increase expenditures so long as government revenues were raised in equal measure. The new constitution also established in separate survival that a congressional majority censure does not have the authority to remove a cabinet minister. A two-thirds vote is required to censure however, the president can retain his minister if he wishes. Needless to say, executive independence with regard to the legislature is superior. Unaccountably, impeachment has been made difficult to use when dismissing a president on grounds of violation of the constitution.<sup>101</sup> For the indigenous people Congress continues as a block on representation, where its powers have been undermined and working outside the system remains the only choice.

"Indigenous leaders claim that the current system is a foreign one which fails to respect indigenous cultures or acknowledge their existence."<sup>102</sup> The idiosyncrasies of Ecuador's "improved" institutional structure lead to the destabilizing conflicts the executive, legislative, and judicial branches can never resolve. While the judiciary is an independent body, it lacks the authority required to effectively check the abuse of presidential powers. The Ecuadorian Supreme Court carried out many judicial functions usually associated with the nation's highest court however, it did not rule on constitutional issues. The Tribunal of Constitutional Guarantees, which is a non-judicial appendage of the National Congress, exercises that function. By de facto the legislative body now has the power to control interpretation of the Constitution as they see fit.<sup>103</sup> Even though it has slight control over the public budget and can no longer eliminate cabinet ministers from office, Congress can obstruct the executive's program and can censure officials. The one power the president has yet to be granted is the ability to dissolve Congress during periods of deadlock, but is being lobbied for.

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<sup>101</sup> Crisp, Brian F., Erika Moreno, Matthew Soberg Shugart, "Bolivarian vs. Consensual Modes of Constitutional Replacement in Latin America in the 1990s," Paper presented at LASA 2000, 12.

<sup>102</sup> Chalmers, Douglas A. et al The New Politics of Inequality in Latin America. Oxford University Press. New York. 1997. 173.

<sup>103</sup> Library of Congress. "Country Studies/Area Hand Book, Ecuador,"

## C. CURRENT POLITICAL ACTIVITY

During the height of the Cold War Ecuador's government was marked by political shakiness and reformist military rule. After elections were held in 1978, civilian government returned to Ecuador in 1979. A simple definition of consolidated democracy would call six successive free elections and quiet transfers of rule as having achieved stability in politics. However, in both 1997 and 2000 elected Presidents were obliged to leave office before the end of their terms. These events can at best be termed quasi-constitutional. The removal of President Bucaram was made official in a nationwide referendum and legitimized the actions of Congress in February 1997. Nonviolent protests had forced him from the Presidential Palace and Congress seized the opportunity. Yet again on January 21, 2000, a mass of indigenous protesters, assisted by local military units took over the vacant National Congress. Bolstered by success they marched on the Presidential Palace upon which Mahuad then deserted the Palace. The situation was untenable as the Armed Forces chose not to protect the President. The leaders quickly established a civil-military Triumvirate to lead the country. Negotiations later the same day resulted in Vice-President Noboa's (Mahuad's constitutional successor) elevation to the presidency. President Mahuad himself later stated that he would not block Noboa's taking office and was "overthrown." This made it necessary for Congress to vote if Mahuad had abandoned his post, so on January 22 Noboa was recognized as the President.<sup>104</sup>

President Noboa's term in office will continue until January 2003. Noboa is not a member of a large, well known political party and so must create coalitions of several parties in Congress in order to pass desired legislation. The Popular Democratic Party (DP) of former President Mahuad and the coastal-based Social Christian Party (PSC) have been his main supporters, but skill as a politician has garnered votes from other parties on single issues such as tax reform. The year 2000 was a difficult one with 2001 only slightly better. The task of sustaining political support for reform was challenged by

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<http://lcweb2.loc.gov/frd/cs/cshome.html> Accessed 3/7/2001

<sup>104</sup> Lucas, Kintto. "Politics-Ecuador: Civilian-Military Gov't Cedes to Vice-President" World News. [http://www.oneworld.org/ips2/jan00/20\\_51\\_029.html](http://www.oneworld.org/ips2/jan00/20_51_029.html) Accessed 10/1/2001.

many protest marches supported by indigenous people. Government mandated bus fare hikes and fuel subsidy cuts incited a wave of violence in February 2001, and resulted in a declared state of emergency.<sup>105</sup> Negotiations resolved the crisis, but the dilemma of easing the growing social tension versus restoring economic growth in order to cut the fiscal deficits that have beleaguered Ecuador in recent years has produced unsatisfactory results.<sup>106</sup>

#### **D. EVALUATING THE GOVERNMENT**

Once civilian government was again created, an old pattern has shown its dominance in which administrations of the center-left rotate with those of the center-right. These organizations working in the two urban cores and founded around selective incentives, had no reason to include indigenous people's needs in their rhetoric, and in fact view parties with disdain.<sup>107</sup> Only those politicians who can sway the voting public in their search for ways to make needed economic changes at the smallest social cost, can remain in power. Regardless of two decades of civilian politicians running the country, Ecuador's political institutions continue to be weak. Part of the problem is Ecuador's elite who are divided along regional, ideological, and personal lines. The lack of partisanship has fashioned politics to the point where the means to complete necessary economic and governmental reforms is impossible, even with repetitive, unfinished adjustments that have resulted in public demonstrations. Paradoxically, when the nation is threatened its people unite, but in Ecuador the 1998 peace accord with Peru has instead further separated the parties for the time being. With Noboa in charge, the battles have continued between the executive, legislative and judicial branches of government, predominantly on issues dealing with the public budget, banking and presidential appointments.<sup>108</sup>

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<sup>105</sup> Associated Press Information Services, "Ecuador President Declares Emergency." 02/02/2001 <http://library.northernlight.com> Accessed 11/16/2001.

<sup>106</sup> Country Watch.com, "Country Review, Ecuador." <http://www.countrywatch.com> Accessed 8/29/2001.

<sup>107</sup> Mainwaring, Scott and Timothy R. Scully, Building Democratic Institutions Party Systems in Latin America. Stanford University Press, Stanford. 1995. 446.

<sup>108</sup> U.S. Department of State. Bureau of Western Hemisphere Affairs. "Background Note: Ecuador." April 2001. <http://www.state.gov/r/pa/bgn/index.cfm?docid=2906> Accessed 9/18/2001.

Recurrent internal splits have created intense factionalism founding the conviction that the president is the final arbiter between the two institutions, a continuation of caudillism. While the president is given strong powers, with the ability to rule by decree at times; the 11 or more parties of Congress can develop a strong desire for consensus on major issues often times leading to compromise. In Congress opposition forces are organized on an ad hoc basis, but in the past they have frequently united to block the proposals of various administrations, and to remove cabinet ministers and presidents from time to time.<sup>109</sup> Additionally, evidence has shown that the parties are "little more than vehicles for the conduct of intra-class struggle, and where Ecuadorian politics reflects few issues beyond personal rivalries and regionalism."<sup>110</sup> In Ecuador's presidential governance, the importance of the party system in organizing support for or opposition to reform is critical. 'Fragmented party systems encourage bidding wars among contending political forces, make legislative support difficult to mobilize and ruling coalitions hard to sustain, and contribute to political instability.'<sup>111</sup> Without holding a majority in Congress, and the lack of party discipline rank the partisan powers of the president as low. The new constitution was drafted and ratified primarily by an elected constituent assembly, and did not extend any greater decree power to the president, therefore limiting the ability to cope with the disunited Congress.<sup>112</sup>

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<sup>109</sup> Ibid.

<sup>110</sup> Blanksten, George I. Ecuador: Constitutions and Caudillos. Russell & Russell Inc, New York, 1964, 58.

<sup>111</sup> Frieden, Jeffry. et al Modern Political Economy and Latin America. Westview Press, Boulder. 2000. 74.

<sup>112</sup> Mainwaring, Scott and Matthew Soberg Shugart et al, Presidentialism and Democracy in Latin America. Cambridge University Press, New York. 1997. 431.

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## IV. INDIGENOUS MOVEMENT

A nation has normally been defined as made up of free and equal citizens who govern themselves through institutions of the state. The formation of the state, implicitly accepted as a legal organization whose specific end is the exercise of control over a distinct area of land and to which are essentially subordinated the persons inhabiting it.<sup>113</sup> Despite the variety of cultures present, the new nation-state tends to construct a uniform society through common legislation, a central government, and a single authority instead of accommodating differences. The country is furthermore brought under a distinct economic, and judicial system based on the dominant Western ideal of individual private property. This notion of the nation repeatedly makes the indigenous peoples adversaries facing the contemporary nation and condemning it to backwardness.<sup>114</sup> Two central sources leading to a clash thus exist, "one concerned property and the exploitation of the natural resources which had been linked by convention to the land of the assorted indigenous communities; the other is the inequality endured as the consequence of a lack of social and cultural assimilation with the rest of the populace of the particular nation."<sup>115</sup>

A threat to democracy thus exists when the "representative covenant" is broken. Indigenous movements raise the awareness among the citizens of frustration with democracy. Questions follow as to "how many people believe that democracy is a sham, how well organized they are, what their capacities for collective action are, how long they have been nurturing these kinds of sentiments, and what capacities the specific country has to absorb such a critical situation."<sup>116</sup> When these conditions prove unfavorable, then democracy has broken down. A group or movement needs only to find resources to

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<sup>113</sup> Diamond, Larry et al., Democracy in Developing Countries Latin America 2nd ed. Lynne Rienner Publishers, Inc., Boulder. 1999.

<sup>114</sup> Psacharopoulos, George and Harry Anthony Patrinos. Indigenous People and Poverty in Latin America. Washington, D.C. World Bank. 1994.

<sup>115</sup> CIDOB Foundation, "Indigenous Peoples and Movements in Latin America," Universal Forum of Cultures. [http://observatorio.barcelona2004.org/observatorio/mostrarDossier\\_i.htm?num\\_dossier=178](http://observatorio.barcelona2004.org/observatorio/mostrarDossier_i.htm?num_dossier=178) Accessed 11/7/2001

<sup>116</sup> Aguero, Felipe, and Jeffrey Stark, et al., Fault Lines of Democracy in Post-Transition Latin America. North-South Center Press, Coral Gables. 1998. 46.

effect a takeover of the government and secure its position against forces of the ruling elites.

## A. INDIGENOUS PEOPLE

The indigenous people's image of social involvement is inextricably attached to the region where the community is found. The diverse native group's that have been formed in the countries of Latin America have come to pass out of the need to deal at first with agrarian oligarchies and more recently with business corporations with interests in agriculture, mining, petroleum, etc. The greater part of these movements have an indigenous select few that acts out of the necessity to preserve and also to renew the societies. They are normally made up of university educated young people who while living in an metropolitan locale preserved their roots in the community, of leaders taught in cooperative or union activism, of elements of different religious rule, and also of artisans and merchants. Frequently, this elite fashion organizations intended to turn indigenous peoples into social, cultural and political players on the regional or national arena thus far controlled by non-Indians.<sup>117</sup>

Indigenous leaders, who support the class school of thought, encourage involvement by Indians in class organizations such as trade and peasant unions. Leftist parties and movements, by populist and nationalist organizations, as well by those progressive administrations that have decide on the amalgamation of indigenous peoples into the public society, have customarily implement this strategy. The ethnic school is made up of persons who feel that a wholly class approach will connote the loss of an indigenous distinctiveness and will lead to incorporation by means of acculturation.<sup>118</sup> Inside this discipline there are two very singular directions. On the one hand there are those who rebuff the main social order as completely foreign, colonial and tyrannical. At the same time there are also those who are aware that in addition to cultural values

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<sup>117</sup> Psacharopoulos, George and Harry Anthony Patrinos. Indigenous People and Poverty in Latin America. Washington, D.C. World Bank. 1994.

<sup>118</sup> Aguero, Felipe, and Jeffrey Stark, et al., Fault Lines of Democracy in Post-Transition Latin America. North-South Center Press, Coral Gables. 1998. 204.

there are class interests, which steer them to search for coalitions with other communal groups.<sup>119</sup>

There have been government-authorized programs to recognize and to some extent to absorb the indigenous populations, but in all of them the disagreement over rights to the territories of the indigenous peoples has remained unsettled. At the core of the issue are two doctrines the modern state appears reluctant to surrender: exclusive and indissoluble sovereignty and individual private property. The most general propensity in the handling of the question of indigenous peoples by the Latin American states, originates from the conception that the central state itself has of the circumstances of the indigenous peoples. The culturist school perceives indigenous people as secondary, not included into the national culture needing mechanism, first and foremost in the area of education, to advance integration. The structuralists give precedence to socioeconomic integration entailing the use of infrastructure and social services in order to stop the marginalization of the indigenous communities. Both schools more or less unequivocally promote incorporation along the shape of the traditional modernizing model.<sup>120</sup>

## **B. ECUADORIAN INDIGENOUS PEOPLES**

Sophisticated indigenous civilizations, about fifty loosely organized states prospered in Ecuador previous to the Inca Empire's subjugation of the area in the 15th century. In 1534, the Spanish arrived and routed the Inca armies, and Spanish settlers develop into the new elite. The indigenous population was annihilated by sickness in the first decades of Spanish rule, a moment when the natives also were enforced into the "encomienda" labor method for Spanish property-owners.<sup>121</sup> Today Ecuador's population is ethnically varied. The most prevalent ethnic groups are indigenous and mestizo (mixed Amerindian-Caucasian). While Ecuadorians were deeply concentrated in the mountainous central highland area not many decades past, today's population is

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<sup>119</sup> Chalmers, Douglas A. et al The New Politics of Inequality in Latin America. Oxford University Press. New York. 1997. 174.

<sup>120</sup> CIDOB foundation, "Indigenous Peoples and Movements in Latin America," Universal Forum of Cultures. [http://observatorio.barcelona2004.org/observatorio/mostrarDossier\\_i.htm?num\\_dossier=178](http://observatorio.barcelona2004.org/observatorio/mostrarDossier_i.htm?num_dossier=178) Accessed 11/7/2001

<sup>121</sup> Blanksten, George I. Ecuador: Constitutions and Caudillos. Russell & Russell Inc, New York, 1964. 4.

divided about evenly between that locale and the coastal lowlands. Migration toward municipalities in all provinces has enlarged the urban population to about 55 percent. The tropical forest regions to the east of the mountains remain thinly populated and include only about 3 percent of the population.<sup>122</sup>

Commencing with the 1996 election, the indigenous populations discarded its long-established procedure of rejecting the official political scheme and energetically involved themselves. The indigenous-labor union association identified as Pachakutik materialized as a power in 1996 when it won 10 percent of then 80-person chamber with votes from the heavily indigenous Sierra and Amazon districts. In 1998, Pachakutik won only four seats in the larger (123-member) new congress, but commonly is supported by four other independent votes there. In May 2000, Pachakutik scored impressive gains in local elections, winning several provincial prefectures for the first time and several mid-sized municipalities. Nina Pacari, second Vice President of Congress and a strong advocate of indigenous rights in Ecuador, is the most prominent Pachakutik leader.<sup>123</sup>

The Confederation of Indigenous Nationalities of Ecuador (CONAIE) was fashioned out of the amalgamation of two previously formed organizations, ECUARUNARI and CONFENIAE. ECUARUNARI, the regional organization of the Sierra that has been running for over 20 years, and the Confederation of Indigenous Nationalities of the Ecuadorian Amazon representing 850 member communities. Created in 1980 the main objectives of the CONFENIAE are the defense and the legalization of the indigenous territories, the preservation of the ecosystems and of the natural resources.<sup>124</sup> Created that same year is the National Coordinating Council of the Indigenous Nationalities of Ecuador (CONACNIE). CONACNIE formed the nucleus on long deliberations to elucidate the conditions and objectives of the movement. Languages separated them, but the problems they have in common unified them. The lack of land, racial discrimination, lack of bilingual education, and the need for voice in government set the agenda. As with their culture, the foundation organizations formulate

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<sup>122</sup> U.S. Department of State. Bureau of Western Hemisphere Affairs. "Background Note: Ecuador." April 2001. <http://www.state.gov/r/pa/bgn/index.cfm?docid=2906> Accessed 9/18/2001.

<sup>123</sup> Ibid.

<sup>124</sup> Selverston, Melina H. "Indigenous Peoples and the State in Ecuador." In Van Cott, Donna Lee, ed., Indigenous Peoples and Democracy in Latin America. New York. St. Martin's Press. 1994.

resolutions and the leadership of CONAIE serves as an agent between those decisions and the means taken.<sup>125</sup>

From December 15-18, 1993 the Fourth Congress of CONAIE was held resulting in a political declaration to construct a New Multinational Nation. The political objectives of the indigenous peoples and ethnic groups endeavor to secure the achievement of their particular rights and recommend the harmonic and unprejudiced growth of all of society in an environment of peace and full democracy. Recognizing that they are an substitute political force their objective is the construction of an alternative multinational state and the installation of a multinational, democratic government conscientious of the well being of all the nationalities that make up Ecuador and assuring the physical and sacred security of the family, the community, and society in general. Their purpose is not the difficult taking control of government, but the renovation of the character of the present hegemonic, exclusivist, ant-democratic and oppressive state and the construction of the new, humanist multinational society. The aim is to restore the communal political and economic rights deprived of by the governing segment "through all institutional means, or exhausting that, the final recourse of self-defense permitted by international bodies and the existing constitution."<sup>126</sup>

In answering questions concerning the demand for autonomy, Luis Macas, president of CONAIE in 1993, affirmed autonomy is based on the elements of territory, political administration, social organization, and the development of the peoples in a manner of their own choosing. "What we want is that our form of self-organization, our way of justice in our own communities, be respected, because there is indigenous legislation that has not been recognized by the state."<sup>127</sup> Antonio Vargas, president since 1996, in an interview said "the objective of Ecuador's indigenous peoples is not power, but to create social change from within; we caused a shake-up in the political class, and it

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<sup>125</sup> CONAIE. "A brief history." <http://coniae.org/coniae1.html> Accessed 8/29/2001.

CONFENIAE, <http://www.unii.net/confeniae/english/> Accessed 10/9/2001.

<sup>126</sup> Selverston, Melina H. "Indigenous Peoples and the State in Ecuador." In Van Cott, Donna Lee, ed., Indigenous Peoples and Democracy in Latin America. New York. St. Martin's Press. 1994.

<sup>127</sup> Leon, Oswaldo, Interview with Luis Macas,

was made clear that there is a rebellious population here that will make change without violence."<sup>128</sup>

### C. ACHIEVEMENTS OF THE MOVEMENT

Throughout the opening six years in which CONAIE existed, the consolidation of organizations on behalf of the majority of indigenous nationalities in Ecuador has proven to be one of the most important successes. An additional one has been increasing the ability to call upon the union of the indigenous societies. One that stands out the most is the presence that the indigenous movement has at the national level. The fundamental ambition expressed by the indigenous movement is the struggle for territory. Disagreements over land that have been disregarded, delayed and forgotten, served as the key cause for the Indian Uprising that shook the country from May 28 to June 10, 1990 and included other items such as the detrimental effects of structural adjustment policies, irrigation access, and skyrocketing inflation.<sup>129</sup> In the Indigenous March for Life supporting the indigenous communities of Pastaza and their organization OPIP in April and March of 1992 highlighted the support all the indigenous organizations of the country went out of their way to give. Further uprisings objecting to structural adjustment and omission from government followed in 1994 and 1997. In that time, the indigenous groups progressively gained "broader support from *mestizo campesinos*, students, the urban poor and leftists."<sup>130</sup>

Given the success of the 1997 civil unrest, CONAIE has developed into an essential component of any social mobilization and is frequently conferred with by opposition groups. A strike initiated by the United Patriotic Front attributed the weakness of it to CONAIE's failure to support it. The 2000 "January Days" National Salvation Junta formed by CONAIE, had extensive popular support that is confirmed by examination of public opinion, which found 71 percent of all Ecuadorians approved of

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<sup>128</sup> Lucas, Kintto, World News, "Politics-Ecuador: Power Is Not Indigenous Goal, Says Leader." [http://www.oneworld.org/ips2/jan00/23\\_28\\_078.html](http://www.oneworld.org/ips2/jan00/23_28_078.html) Accessed 10/1/2001.

<sup>129</sup> Zamosc, Leon. "Agrarian Protest and the Indian Movement in the Ecuadorian Highlands." Latin American Research Review. 29(30): 37-68. 1994.

<sup>130</sup> Velpel, Mary, "Ecuador: Crisis In Democracy," <http://vaxxine.com/cowac/ecuador2.htm> Accessed 10/15/2001.

the occupation of the Congress. After determined protests by the indigenous movement in 1998, the state acknowledged the "plurinational and pluricultural" character of the nation.<sup>131</sup> In February of 2001 President Noboa met with Antonio Vargas to end a wave of violent demonstrations where negotiations produced a partial rollback on bus fares and fuel subsidy cuts. Middle and lower class Ecuadorians are attracted to this non-violent movement, which can articulate their interests at time when the government is indifferent due to its weak representative role. As the solitary consistent and active resistance force in Ecuadorian politics, the indigenous movement has provided the central point for opposition, a means of expression for dissent.<sup>132</sup>

#### **D. INDIGENOUS PEOPLE'S GRIEVANCES**

The assembly of a heavy crude pipeline is the administration's response to salvage Ecuador's fledging economy that has been overwhelmed by record highs of outside debt and commercial bank collapse. In the course of an agenda titled Apertura 2000, the government's strategy is to double oil production and exports and privatize oil infrastructure thereby attracting foreign investments to its newly dollarized economy. This venture is being publicized equally to the government and global creditors as the primary mechanism for the country's economic revitalization. Moreover it is one of the most important conditions of the government's structural adjustment accord with the IMF for making good on the country's balance payments.<sup>133</sup> The Ecuadorian Armed forces are moderately self-funded by means of a reported obligated portion of petroleum revenues and a complex of military-owned companies. The military has the benefit of considerable independence over its own dealings and, in isolated areas of the country; the military often is the primary government presence. Progressively more, the Armed Forces have been solicited to carry out a law and order role, as was the case when a State of Emergency was declared in Guayas province at the beginning of 1999.

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<sup>131</sup> Ibid

<sup>132</sup> Selverston, Melina H. "Indigenous Peoples and the State in Ecuador." In Van Cott, Donna Lee, ed., Indigenous Peoples and Democracy in Latin America. New York. St. Martin's Press. 1994.

<sup>133</sup> Soltani, Atossa, et al. Amazon Watch. "The New Heavy Crude Pipeline in Ecuador" June 2001. <http://www.amazonwatch.org>

For the foreseeable future, the quality of life for persons who reside in oil generating sections or in close proximity to refineries continue to deteriorate. These groups of people understand first hand the grave environmental and social shock of the oil industry together with the utmost rates of cancer and other degenerative syndromes in Ecuador. For example, the risk of throat cancer is 30 times greater, and the risk of liver cancer 15 times greater than in the rest of the country.<sup>134</sup> Currently for the indigenous, the one key point of controversy in the fight against oil is the lack of constitutionally mandated prior public consultation. Until mid April, when the Environmental Impact Assessment (EIA) was accomplished, not any of the impinged on communities had been conferred with concerning the development or informed about its impacts. However, the agreement, which set the predetermined course through protected parts, was signed in February. In May, Acción Ecológica alongside CONAIE and the Syndicate of Petroecuador Engineers and Professionals filed a lawsuit with the Constitutional court to invalidate the OCP agreement. The court dismissed the lawsuit a number of weeks afterward, at the same moment the Ministry of Environment and Ministry of Energy and Mines accepted the OCP's EIA.<sup>135</sup>

Ranchers, local conservation organizations and campesinos from the town of San Miguel de Los Bancos appealed for an injunction to prevent the assembly of the OCP through Mindo, by filing a second lawsuit in early June. The plaintiffs have pointed out that the Ecuadorian government and OCP Consortium did not attempt to satisfactorily converse with concerned communities and consequently were in breach of the Ecuadorian Constitution, which directs previous discussions take place. A third legal challenge will be filed by distressed populations in the northern Ecuadorian Amazon who would swallow the burden of enlarged crude production. One chief apprehension is the plan to erect a refinery in the Amazon in order to process the heavy crude so that it may be transported through the pipeline.<sup>136</sup> The government's reaction has been extremely

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<sup>134</sup> CONFENIAE, "Report Shows High Cancer Risk In Amazon Oil Area."  
<http://www.unii.net/confeniae/english/news/cancer.html> Accessed 10/9/2001.

<sup>135</sup> Soltani, Atossa, et al. Amazon Watch. "The New Heavy Crude Pipeline in Ecuador" June 2001.  
<http://www.amazonwatch.org>

<sup>136</sup> Ibid

swift to protect this project. President Noboa publicly stated that he would declare war on the ecologists, that he would fight them "trench by trench."<sup>137</sup>

The indigenous have fought against oil companies in the past. The authorized representatives of the people of San Vigilio solicited the government to uphold the constitution and "that the petroleum pipeline that has been illegally installed across their territories be immediately removed and all damages already caused by this illegal invasion be immediately repaired."<sup>138</sup> Although the government may grant land titles to the indigenous people, they do not include the mineral rights, which constitutionally belong to the state. Although the Ecuadorian regime asserts control of sub-surface minerals, the indigenous communities have by no means abandoned their rights to protect their lands and culture. In October 1992, the Haurani came to Quito to protest in opposition to the oil companies searching and drilling oil on their property. The government has the authority to take land titles away. It had only just awarded to them title, so threatened revocation if they continued to protest. The government furthermore delivered an admonition to the Hauranis that if they attempt to actually impede the oil companies, they would dispatch the military and basically gun down those Haurani.<sup>139</sup>

Within April of 1998, the Atlantic Richfield Corporation (ARCO) was approved a 500,000-acre oil dispensation identified as block 24 that is located completely on Shuar and Achuar land. Tito Puanchir, president of the Shuar federation FIPSE explains, "we are unconditionally saying no to oil exploitation on our land."<sup>140</sup> Santiago Kawarim, president of the Interprovincial Federation of the Achuar Indigenous Group of Ecuador (FINAE) said, "We are at war with ARCO." Violent behavior over oil exploration transpired as Achuar and Shuar natives who regard them as turncoats harshly beat five

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<sup>137</sup> World Rainforest Movement, "Ecuador: The President will fight "trench by trench" ... against ecologists," WRM's bulletin (46), May 2001. <http://www.wrm.org.uy/bulletin/46/Ecuador.html> Accessed 11/30/2001.

<sup>138</sup> Selverston, Melina H. "Indigenous Peoples and the State in Ecuador." In Van Cott, Donna Lee, ed., Indigenous Peoples and Democracy in Latin America. New York. St. Martin's Press. 1994.

<sup>139</sup> Jefferys, Dean, "Ecuador, Oil, Indians, the Amazon and NvA," <http://www.uq.net.au/~zzdkeena/NvT/31/31.2.txt> Accessed 11/30/2001.

<sup>140</sup> Koenig, Kevin, "Ecuadorian Indigenous Tribes March Against Oil Development Project," Rainforest Action Network, September 1, 1999. <http://www.unii.net/confeniae/english/news/shuar-women.html> Accessed 10/9/2001.

employees of ARCO.<sup>141</sup> The government answer to the indigenous mobilization has repeatedly been violent or discussions that have been constructed generally in reaction to international demands. In clashes with the government, deaths of indigenous people have occurred.<sup>142</sup>

Another method adopted by the indigenous is legal action and "kidnapping." To the former, a \$1 billion federal class action suit was filed in the U.S. against Texaco, but was thrown out in late 1996. Other companies under litigation are Burlington Resources, Atlantic Richfield Company, and Maxus Corporation, all for environmental damage to the homelands or violations of the constitution, which provides guarantees for the indigenous. Some oil fields have been provided a military presence, tasked to provide security to all strategic areas. Success did come on June 11 1999 as the sixth civil court of Pinchincha reached a final verdict against Maxus and Andrade Guitierrez corporations for deforestation, pollution and ecological destruction. As for the latter, those attributable to the indigenous are at most detained employees who are shown the areas about to be destroyed.<sup>143</sup> As the Ecuadorian government struggles to execute new economic plans, which slash social aid, the indigenous people are expected to organize in opposition to this. Additionally, unremitting commercial development of their territory will also lead to mobilization of these groups. They are liable to carry on their mobilization utilizing protest, which could spiral into violence if their level of poverty and destruction of their land increase.

In the Amazon region colonists are driving the indigenous groups from their territory. What might appear to be vacant land is being cleared and cultivated without regard for the indigenous.<sup>144</sup>

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<sup>141</sup> Knight, Danielle, "Indigenous Groups "At War" with US Oil Giant," <http://www.unii.net/confeniae/english/news/atwar.html> Accessed 10/9/2001.

<sup>142</sup> Organization of American States, Inter-American Commission on Human Rights, [Report on the Situation of Human Rights in Ecuador](http://www.cidh.oas.org/countryrep/ecuador-eng/chapter-8.htm). <http://www.cidh.oas.org/countryrep/ecuador-eng/chapter-8.htm> Accessed 11/30/2001.

<sup>143</sup> Almeida, Mariana, "Judge of the Sixth Civil Court of Pichincha, Reached his Final Verdict Against Maxus," <http://www.unii.net/confeniae/english/news/maxus-verdict.html> Accessed 11/13/2001

<sup>144</sup> Chalmers, Douglas A. et al [The New Politics of Inequality in Latin America](#). Oxford University Press. New York. 1997. 173.

## **E. ASSESSMENT**

The Ecuadorian indigenous movement has made itself the most powerful social organization in that country to date. Their mobilization has exposed the deficiencies of the current political system. Based on coordinated, mass demonstrations, the indigenous have created political space and affected some political structures concerning education and agriculture. While participation and land have been the central demands of the indigenous, differences between the two major groups concerning participation in political parties has caused splits to occur within the organization. Yet enough unity has remained to threaten the government. Proposals such as a plurinational state are met with the view that the integrity of the nation may be jeopardized. However, the true danger lies with the government's inability to be flexible and restructure itself to accommodate the indigenous.<sup>145</sup>

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<sup>145</sup> Chalmers, Douglas A. et al The New Politics of Inequality in Latin America. Oxford University Press. New York. 1997.

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## V. CONCLUSION

As the previous chapters have shown, the indigenous peoples of Ecuador have experienced a history of economic and political exclusion. Large tracts of cultivable land remain in the hands of a few elite despite attempts at land distribution reform. Extending that trend will be the government's dependence on oil for revenue. Its presence in indigenous territory has translated into environmental destruction of their way of life, and exclusion from the decision making process concerning their land. Also shown is the political exclusion to which the indigenous have become accustomed. The political parties have not developed into truly representative institutions, and serve only as vehicles for the ambitions of career politicians. They have few ties to civil society as a whole and cannot provide input into the policy making process. Without legitimacy, the indigenous have no reason to participate in this political institution. The indigenous have developed organizations among themselves in order to create a voice in government and have made an impact on what they feel is not a representative or legitimate regime. Their organizations, based on an ideology of ethnicity have developed along a separate line from 'the left' while making full use of confrontational tactics.

The Government of Ecuador is not prepared to face a revolt from the indigenous population. The Ecuadorian government is divided between the landed elite of the inland region and the power of the coastal region. The indigenous populations have risen in the past to cause the overthrow of a democratically elected president. The growing dominance of oil and the volatility of prices make Ecuador vulnerable to crisis. In the landscape of possibilities, civil disobedience would not necessarily have to succeed in overthrowing the government, only to demonstrate their desire to alleviate the inequality and poverty that is rampant among the indigenous people. The indigenous peoples use demonstrations to communicate their desires. The resort to mass political violence may be a logical next step in the drive to decrease inequality and poverty that is rampant among the indigenous people. As Wilkinson states "if liberal democratic governments and societies try to suppress or ignore deeply felt needs and grievances, then peaceful

protests, agitation and passive civil disobedience are likely to give way, rapidly, to political violence."<sup>146</sup>

It is in environments such as this where rebel organizations, which have to develop a dialogue of grievance in order to function, can flourish. "Grievance is to a rebel organization what image is to a business."<sup>147</sup> Injustice in Ecuador may be founded on a number of objective justifications, however intrusion and despoliation of ancestral lands is of the most immediate concern. The indigenous organizations can easily indoctrinate the appearance of injustice nationally and internationally. "Building a loathing of the enemy will bring with it a readiness to fight."<sup>148</sup> As Collier has noted, "the leader of a rebel organization will offer a litany of grievances against the government, for its oppression, unfairness, and victimization of some part of the population."<sup>149</sup> The other sectors of the populous that have been loosing out for the past 20 years are only too ready to give their support to the indigenous. These people, students, middle class, and teachers' are prone to believe the litany of injustice that the Ecuadorian political and economic system makes plain to see.<sup>150</sup>

Democracy notwithstanding, ethno-political conflict has been the world's largest, frequent cause of fighting for a number of decades.<sup>151</sup> In these cases cultural characteristics are powerful and more permanent than nearly all other communal identities. Cultural uniqueness is most liable to offer the foundation for political mobilization. When it supplies the source for inequalities between ethnic groups in standing, economic well-being, and admittance to political power that are intentionally continued by means of public policy and social custom, then conflict may follow. The combination of mutual injustice with a dedicated awareness of group distinctiveness and shared interest offers extremely unstable background that stimulates unplanned exploits

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<sup>146</sup> Wilkinson, Paul. Terrorism and the Liberal State. 2ed. New York Press, New York. 1986. 29.

<sup>147</sup> Collier, Paul. "Economic Causes of Civil Conflict and their Implications for Policy, World Bank, 2000, 3.

<sup>148</sup> Ibid, 12.

<sup>149</sup> Ibid, 3.

<sup>150</sup> Ibid, 5.

<sup>151</sup> Crocker, Chester A., et al., Managing Global Chaos Sources of and Responses to International Conflict. United States Institute of Peace Press, Washington, D.C., 1996. 54.

whenever the external regime weakens. The arrangement stimulates influential political movements whenever it can be structured and prepared by group leaders who give credible illustration to national and minority peoples' complaints and objectives.<sup>152</sup>

After two decades of democracy and liberal economics in Ecuador resulting in frustration, the indigenous people may feel justified in using violence to achieve a political objective. Whether as perpetrator or blameless spectator, indigenous peoples have been intensely concerned with state efforts to manage illegal narcotics dealings. Currently, Ecuador serves as a transit zone for shipments to the U.S. and Europe. This closeness to the situation is due to the habits of drug traffickers. Customarily residing in the mountains and jungles of Ecuador, often along international boundaries, indigenous peoples coexist in territory with drug traffickers who desire protection and anonymity in these inaccessible locations. They also share terrain with the national police and armed forces that guard and protect these borders, and who chase the drug traffickers and manufacturers who use them. In the performance of their duties by Ecuadorian militaries and national police Indians may be mistaken for drug traffickers as policies are designed to produce results. Inadvertently they also produce human rights violations against indigenous populations.<sup>153</sup>

Ecuador is first in line to suffer the likely penalty of the U.S. backing of a military offensive against drug traffickers in southern Colombia. The U.S. has presented Ecuador \$20 million to cope with the spillover, but President Noboa requests a Plan Colombia for Ecuador to include large size U.S. financial assistance for economic development in northern Ecuador. Ecuador's soils are appropriate for farming coca and opium poppy, and its impecunious northern region is perfect ground for a drug-fueled uprising. High oil prices and implementing the U.S. dollar as Ecuador's state legal tender have steadied the economy and soothed political pressure, but oil prices will fall and the danger of renewed political turmoil is high.<sup>154</sup>

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<sup>152</sup> Ibid, 63.

<sup>153</sup> Van Cott, Donna Lee, Indigenous Peoples and Democracy in Latin America. New York. St. Martin's Press. 1994. 19.

<sup>154</sup> Stratfor.com's Global Intelligence Update, "Ecuador: Seeking the Benefits of a Plan Colombia, 24 October 2000. <http://www.stratfor.com> Accessed 10/24/2000.

Plan Colombia need only be partially successful for a small percentage of coca cultivation to shift into Ecuador. Non-indigenous spreaders could facilitate the spread of coca farming. Indigenous participation in drugs need not be specialized in any one area. There are many functions that comprise the drug trade. One job would be defending crops, laboratories, storage facilities, and airfields from government anti-narcotics operations. Success means "tax" revenue from persons who profit from that security. Another facet would be to directly control cocaine paste and base manufacture and transactions. A final aspect is to support drug traffickers with shipping and storage of cocaine and marijuana in Ecuador.<sup>155</sup> Poor citizens living in squalor along the border would see an incentive to join the Colombian rebels with drug production and spread from there. A few indigenous groups would take advantage of this in order to protect their lands from militarization and economic destruction.

Collier argues that civil wars occur where rebel organizations are financially viable. The FARC has developed an organization to engage around 12,000 fighters based on the approximately \$700 million it receives from drugs and kidnapping. Economic theory of conflict contends that the stimulus of conflict is inconsequential; what is of importance is whether the organization can maintain itself monetarily. Tangible measures of shared injustice, such as inequality, a lack of democracy, and ethnic and religious divisions, have had no systematic consequence on risk. It does not in actuality make a difference whether rebels are motivated by greed, by a lust for power, or by grievance, as long as the viability of predation on the government source of revenue while maintaining a secure source for the movement exists.<sup>156</sup>

Such economic characteristics as dependence on primary commodity exports, low average incomes, and slow growth all have considerable and prevailing ability to forecast civil war. These circumstances facilitate the recruitment of personnel to the cause due to limited government resources. Rebellions encompass the intention of natural resource avaricious, or are perilously reliant upon natural resource predation in order to follow other intentions. While this may not hold true for Ecuadorian indigenous,

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<sup>155</sup> Serafino, Nina M., "Colombia: Conditions and U.S. Policy Options," CRS Report for Congress, Washington D.C., The Library of Congress, February 12, 2001.

<sup>156</sup> Collier, Paul. "Economic Causes of Civil Conflict and their Implications for Policy, World Bank, 2000, 4.

the government still has the problem of protecting its oil infrastructure. Pinpointing the location of insurgents is difficult and is why geography matters. Since the indigenous populace is highly geographically dispersed, then the country becomes difficult for the government to manage than if everyone lived in the same small area. In one section of the Amazon, the Oriente can be found 500,000 indigenous peoples. Other communities can be found scattered in other parts of the Amazon, Sierra and Coastal regions. With geographic scattering Ecuador has a danger of conflict of approximately 50 percent whereas with Singapore-like concentration its possibility plunges to roughly 3 percent.<sup>157</sup>

I have argued that Ecuador has historically excluded the indigenous peoples economically to the point where they exist at the lowest levels of poverty in the country. Historically the indigenous people have been tied to their land and current economic policies are endangering their communal property rights and their way of life. Also contributing to that inequality is the political exclusion they experience. Without effective representation, social programs may be cancelled at will and economic policies and reforms are implemented without debate with those they most affect. With this last wave of democratization, the indigenous people are now highly organized. They have changed their image from one of subservience to activists demanding the government uphold its constitutional mandate while increasing the indigenous peoples own rights to self-determination. The combination of these three factors creates potential for further violence. The governments pursuit of oil and its damaging effects on the economy and environment will clash with the indigenous peoples desire to maintain their culture and way of life. The violence stemming from the insurgency and large flows of illegal money in neighboring countries only increases the likelihood of Indian political violence in Ecuador. To avoid this crisis two items in the constitution must be upheld. First, Ecuador must ensure oil producing regions are environmentally protected and action taken to correct damage done in the past. Second, communities whose environment is affected must be included in the decision making process. On the part of the U.S., greater effort must be made in accomplishing greater free trade with Ecuador and the region overall, and directing aid specifically toward rural development and agricultural efficiency among indigenous farmers.

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<sup>157</sup> Ibid, 21.

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